



FX CREATIONS INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors of countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ng Pak To, Petto (Chairman)
Ho Kai Chung, David
Ong Chor Wei

Non-Executive Director

Wong Wai Shan

Independent Non-Executive Directors

Christopher Leu
Kau Man Wai, Leslie

COMPLIANCE OFFICER

Ng Pak To, Petto

QUALIFIED ACCOUNTANT

Ong Chor Wei, ACA, AHKSA

COMPANY SECRETARY

Ong Chor Wei, ACA, AHKSA

AUDIT COMMITTEE

Kau Man Wai, Leslie
Christopher Leu

AUTHORISED REPRESENTATIVES

Ng Pak To, Petto
Ong Chor Wei

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Workshop A6, 12th Floor, Block A
Hong Kong Industrial Centre
489-491 Castle Peak Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T.
36C, Bermuda House
3rd Floor
Dr. Roy's Drive, George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

SPONSOR

Kingston Corporate Finance Limited

CORPORATE INFORMATION

AUDITORS

Ernst & Young

LEGAL ADVISORS

As to Hong Kong Law

Vincent T.K. Cheung, Yap & Co.

As to Taiwanese Law

Huang & Partners

As to Cayman Islands Law

Conyers Dill & Pearman, Cayman

PRINCIPAL BANKER

Shanghai Commercial Bank Limited

STOCK CODE

8136

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), we hereby present the first Annual Report of FX Creations International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2002 to our shareholders after the successfully listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 May 2002.

MARKET OVERVIEW

The retail environment in The People's Republic of China ("PRC") was strong during the year ended 31 March 2002 which in turn benefited the Group's sales to agents in the PRC. For Hong Kong and Taiwan, the retail environment remained weak during the year especially due to the 911 event. Despite this, the Group has been able to achieve a growth in its retail outlet sales through expansion of retail outlets. For the year ending 31 March 2003, the Group expects the market environment in Hong Kong and Taiwan to improve due to the gradual recovery of the United States ("US") economy and China's accession into the World Trade Organisation ("WTO") while the PRC will still benefit from its strong economy.

FINANCIAL OVERVIEW

During the year ended 31 March 2002, the Group recorded a turnover of HK\$49,587,000 (2001: HK\$38,502,000), an increase of approximately 29% compared to the previous corresponding year. The turnover for the year ended 31 March 2002 comprised retail sales and wholesale sales which accounted for approximately 66% and 34% (2001: 69% and 31%) of the total turnover respectively. As at 31 March 2002, the Group had 24 retail outlets which consisted of 8 retail shops and 4 department store counters in Hong Kong and 12 department store counters in Taiwan.

The increase in turnover was mainly attributable to higher retail sales due to the opening of new retail outlets and increase in sales to wholesalers (agents and distributors) due to increase in the number of agents and distributors, and sales to existing agents and distributors.

The net profit attributable to shareholders for the year ended 31 March 2002 amounted to HK\$1,920,000 (2001: HK\$1,869,000), an increase of 3% compared to the previous corresponding year. The increase was mainly attributable to the expansion of the business.

CHAIRMAN'S STATEMENT

PROSPECTS AND APPRECIATION

With the successful listing of the Company, the Group is well positioned to meet the challenges and opportunities ahead. The Group is hopeful that the retail environment in Hong Kong, Taiwan and Asia generally will improve due to the gradual recovery of the US economy and China's accession into the WTO.

The Group will continue to improve its competitive position by developing new products and promoting and strengthening brand loyalty. At the same time, the Group will set up its own production facilities in the PRC. On the sales and marketing, the Group will continue to expand new retail outlets and develop new markets.

Finally on behalf of the board, I would like to take this opportunity to express my gratitude to all members of the board and staff for their dedication and contribution to the Group and to those who have continuously supported us. We will make our best efforts in developing our businesses to produce good economic results and better returns for our shareholders.

Ng Pak To, Petto
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

During the year ended 31 March 2002, the Group recorded a turnover of HK\$49,587,000 (2001: HK\$38,502,000), an increase of approximately 29% compared to the previous corresponding year. The turnover for the year ended 31 March 2002 comprised retail sales and wholesale sales which accounted for approximately 66% and 34% (2001: 69% and 31%) of the total turnover respectively. As at 31 March 2002, the Group had 24 retail outlets which consisted of 8 retail shops and 4 department store counters in Hong Kong and 12 department store counters in Taiwan.

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Liquidity, financial resources and capital structure

For the year under review, the Group financed its operations with its own working capital and bank borrowings of approximately HK\$5,460,000 (2001: HK\$3,995,000).

As at 31 March 2002, the Group had net current assets of approximately HK\$118,000 (2001: HK\$16,000) including cash and bank balances and pledged bank deposits of approximately HK\$2,063,000 (2001: HK\$2,535,000).

At 31 March 2002, the Group had total available banking facilities of approximately HK\$10,210,000 (2001: HK\$6,347,000) which were supported by the following:

- (i) the pledge of a bank deposit of HK\$1,840,000 (2001: HK\$2,046,000);
- (ii) personal guarantees executed by two directors of the Company and a director of a subsidiary of the Company;
- (iii) legal charges over certain properties owned by a director of the Company, a director of a subsidiary of the Company and a relative of a director of the Company; and
- (iv) a floating charge over the current assets of a subsidiary of the Company.

As at the close of business on 31 March 2002, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was 0.4 (2001: 0.4). No fixed interest bank borrowing was noted. All the bank borrowings were denominated in HK Dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2002, the Group has outstanding bank borrowings of approximately HK\$5,460,000 (2001: HK\$3,995,000). The bank borrowings comprised secured bank overdrafts of approximately HK\$2,078,000 (2001: Nil), secured trust receipt loans of approximately HK\$1,321,000 (2001: HK\$1,048,000), a secured bank loan of approximately HK\$600,000 (2001: HK\$600,000) and unsecured bank loans of approximately HK\$1,461,000 (2001: HK\$2,347,000). Approximately HK\$5,215,000 (2001: HK\$3,405,000) of the total outstanding borrowings are repayable within one year and the remaining balance of approximately HK\$245,000 (2001: HK\$590,000) is repayable in the second year.

Release of personal guarantees and legal charges

The Group has received written consent, in principle, from its bankers to the effect that upon the listing of the Company's shares on GEM, the personal guarantees from two directors of the Company and a director of a subsidiary of the Company, and the legal charges over certain properties owned by a director of the Company, a director of a subsidiary of the Company and a relative of a director of the Company will be released and replaced by corporate guarantees executed by the Company and/or other security provided by the Group.

Significant investment

During the year under review, there was no significant investment held by the Group (2001: Nil).

Material acquisition or disposal of subsidiaries and affiliated companies

Other than in connection with the Group Reorganisation in preparation for the listing of the Company's shares on GEM, there were no material acquisitions or disposal of subsidiaries and affiliated companies in the course of this year.

Contingent liabilities

As at 31 March 2002, the Group had the following contingent liabilities:

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Bills discounted with recourse	—	239

MANAGEMENT DISCUSSION AND ANALYSIS

Lease and contracted commitments

The Group leases certain of its office premises, warehouses, retail shops and department store counters under non-cancellable operating lease arrangements with lease terms ranging from one to three years.

At 31 March 2002, the Group had total future minimum lease payments in respect of non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Land and buildings expiring:		
Within one year	7,287	5,980
In the second to fifth years, inclusive	5,958	1,479
	13,245	7,459

At the balance sheet date, the Group had contracted commitments in respect of purchases of certain fixed assets of HK\$157,500 (2001: Nil).

Foreign exchange exposure

The Group's income and expenditure during the year ended 31 March 2002 were denominated in US Dollars, HK Dollars and New Taiwanese ("NT") Dollars, and most of the assets and liabilities as at 31 March 2002 were denominated in HK Dollars and NT Dollars. Accordingly, the Directors are of the view that, to certain extent, the Group is exposed to foreign currency exchange risk. For the US Dollars foreign exchange exposure, the Director believe the exposure is small as the exchange rate of US Dollars to HK Dollars is comparatively stable. However, the Group is exposed to NT Dollars foreign exchange exposure and fluctuation of exchange rates of NT Dollars against HK Dollars could affect the Group's results of operations. During the year, no hedging transaction or arrangement was made.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the board of directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment information

Business segments

	2002	2001
	HK\$'000	HK\$'000
Retail sales	32,726	26,479
Wholesale sales	16,861	12,023
	49,587	38,502

Geographical segments

PRC:		
Hong Kong, SAR	32,136	28,398
Elsewhere	9,254	5,920
Taiwan	5,621	524
Singapore	1,603	1,327
Others	973	2,333
	49,587	38,502

Business segments

Retail sales

Retail sales increased by approximately 24%, as compared to the previous corresponding year, to HK\$32,726,000 (2001: HK\$26,479,000). The increase was mainly attributed to an increase in the retail outlets by the Group from 17 as at 31 March 2001 to 24 as at 31 March 2002 in Hong Kong and Taiwan.

Wholesale sales

Wholesale sales comprised sales to agents and sales to distributors.

Sales to agents increased by approximately 55%, as compared to the previous corresponding year, to HK\$11,263,000 (2001: HK\$7,247,000). The increase was mainly attributed to increase in the number of agents from 2 to 5 and increase in sales to an existing agent.

Sales to distributors increased by approximately 17%, as compared to the previous corresponding year, to HK\$5,598,000 (2001: HK\$4,776,000). The increase was mainly attributed to sales to new distributors.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical segment

For the year ended 31 March 2002, sales in Hong Kong, SAR increased by 13% compared to the previous corresponding year. The increase was mainly attributed to increase in sales from the retail outlets in Hong Kong and an increase in sales to distributors which resells to other countries.

For the year ended 31 March 2002, sales to elsewhere in the PRC increased by 56% compared to the previous corresponding year. The increase was mainly attributed to increase in sales to the Group's agent in the PRC.

For the year ended 31 March 2002, sales to Taiwan increased by 973% compared to the previous corresponding year. The increase was mainly attributed to the opening of new retail outlets in Taiwan.

For the year ended 31 March 2002, sales to Singapore increased by 21% compared to the previous corresponding year. The increase was mainly attributed to increase in sales to the Group's agent in Singapore.

For the year ended 31 March 2002, sales to other countries decreased by 58% compared to the previous corresponding year. The decrease was mainly attributed to decrease in orders from countries other than above.

Please refer to note 5 to the financial statements for details on business and geographical segments.

Future plans for material investments and expected source of funding

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's Prospectus under the sections headed "Statement of Business Objectives" and "Reasons for the Share Offer and the Use of Proceeds" respectively. Other than those disclosed, the Group did not have any plan for material investments or capital assets.

Employees and remuneration policies

As at 31 March 2002, the Group had 81 (2001: 71) full time employees. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong. To date, no share options have been granted to employees.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The share of the Company was listed on GEM on 21 May 2002. According to the statement of business objectives stated in the Prospectus, the first period covered by the statement of business objectives is from 3 May 2002 to 30 September 2002 whereas, this annual report covers the year ended 31 March 2002. Accordingly, no comparison is presented, and the actual business progress for the two years ended 31 March 2000 and 2001, for the eight months ended 30 November 2001, and from 1 December 2001 to 3 May 2002 is stated in the section headed "Statement of Active Business Pursuits" in the Prospectus. The Group is in the progress of implementing the business plan as stated in the Prospectus and believe that the implementation will be in accordance to the time frame.

USE OF PROCEEDS

The Company was listed on GEM on 21 May 2002 by way of placing and public offer of 81,000,000 shares. The gross proceeds from such placement and public offer were approximately HK\$21,060,000. The Group intends to apply the net proceeds (after deducting listing expenses) for setting up additional retail shops in Hong Kong and Taiwan, conducting advertising and marketing campaigns and other corporate image enhancement programs, financing the acquisition of plant, machinery and production facilities and financing the expansion of the geographical coverage of the Group's network. As of the date of this annual report, the Group has not spent any of the proceeds from the abovementioned share offer and such proceeds are placed on short-term deposits with a bank in Hong Kong. The directors intend to use the net proceeds in the manner as disclosed in the Prospectus.

BUSINESS PROSPECTS

The Group has reviewed its business strategies and set up future plan to promote **FX CREATIONS** as a brandname for stylish bags and lifestyle consumers products in the world market. The key strategic initiatives that the Group plans to implement in the near future are as follows:

To promote greater awareness of the FX CREATIONS brandname

To achieve this, the Group will continue to conduct advertising and promotional campaigns to enhance awareness of the **FX CREATIONS** brandname.

To expand its product range under the FX CREATIONS brandname

The Group intends to expand its product range such as developing professional office bags. Also, the Group will expand its product range through licensing its brandname to other types of products such as apparel.

MANAGEMENT DISCUSSION AND ANALYSIS

To expand the geographical coverage of the Group's distribution network and to expand its retail outlets

The Group will approach potential agents in the markets such as the US, Europe and other countries in Asia. Also, the Group will expand new retail outlets in Hong Kong and Taiwan.

To manufacture its products

The Group will establish its own manufacturing capacity through a processing agent in the PRC. To achieve this goal, the Group intends to acquire plant, machinery and production facilities to work with a processing agent in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ng Pak To, Petto, aged 41, is the chairman, managing director and one of the founders of the Group. Mr. Ng is responsible for the overall strategic planning, marketing and management functions of the Group. He holds a Higher Certificate in Business Study from the Hong Kong Polytechnic University and Graduate Diploma in Management Studies awarded by the Institute of Commercial Management United Kingdom. Mr. Ng has over ten years of experience in the sales and production functions for bags and has in-depth knowledge and experience of the bags industry. Prior to founding the Group, Mr. Ng worked as an executive Sales Director for Oriental Glad Limited, a garment company for approximately three years. Mr. Ng is the husband of Madam Ho and the brother-in-law of Mr. Ho. Mr. Ng was appointed as a Director in January 2002.

Ho Kai Chung, David, aged 38, is an executive Director and one of the founders of the Group. He is the brother-in-law of Mr. Ng and the brother of Madam Ho. He holds a Higher Certificate in Three-Dimensional Design from the Hong Kong Polytechnic University. He is responsible for the design, development and promotional activities of the Group. He joined the Group in 1993 and Mr. Ho has over fifteen years of experience in design and advertising. He has also received an award from the Hong Kong Designers Association for excellence in his creative endeavour. Prior to joining the Group in August 1993, he was self employed in a retail business in gift items, under the name Take 1, for approximately one year. Mr. Ho was appointed as a Director in January 2002.

Ong Chor Wei, aged 32, is an executive Director. Mr. Ong is responsible for the financial management and finance functions of the Group. He graduated from London School of Economics and Political Science, University of London with a Bachelor of Laws degree. He also holds a Master degree in Business Administration jointly awarded from the University of Wales and University of Manchester. He is an associate member of the Institute Chartered Accountants England and Wales and an associate member of the Hong Kong Society of Accountants. Prior to joining the Group in January 2002, he worked as a finance director for Kasinda International Limited, a manufacturer of bags and luggages for approximately three years. Mr. Ong was appointed as a Director in January 2002.

NON-EXECUTIVE DIRECTOR

Wong Wai Shan, aged 48, is the deputy chairman and non-executive Director. Mr. Wong is responsible for business development and strategic planning of the Group. Mr. Wong has over twenty years of experience in sales and marketing in the garment industry. Mr. Wong is also a director of Great Up Garment Limited, a garment trading and manufacturing company. Mr. Wong was appointed as a Director in January 2002.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kau Man Wai, Leslie, aged 37, is a director of Lyden Holdings Limited, an investment holding company. She was appointed as an independent non-executive Director in January 2002. She has over twenty years experience in management and investments.

Christopher C. Leu, aged 42, is the chief executive officer of United Pacific Bank based in the U.S. and the president & managing director of a private investment bank in the U.S.A. He holds a Bachelor of Science Degree in Business Administration and Master of Science degree in Systems Management from the University of Southern California. He is also a Ph.D. candidate in International Political Economy at the University of Southern California. Mr. Leu is also the president and founding director of the Hong Kong Association of Southern California, Honorary Secretary for the Federation of Hong Kong Business Associations Worldwide Limited, member of the Advisory Committee for the Asia Society, member of the International Circle with the Los Angeles World Affairs Council, member of the Board of Directors for the Los Angeles Chinese American Sheriff Advisory Committee, and Commissioner for the Inmate Welfare Commission of the Los Angeles County Sheriff Department. He was appointed as an independent non-executive Director in January 2002.

SENIOR MANAGEMENT

Ho Pui Lai, aged 40, is the vice president for administration and one of the founders of the Group. Madam Ho is responsible for the administration and management functions of the Group. Madam Ho has over eight years experience in business administration. She has obtained several professional diploma in Human Resources Management granted by Hong Kong Productivity Council. Prior to founding the Group in April 1993, she worked as an interior designer for Wong & Ouyang (HK) Limited, an architectural and interior design company for approximately five years. She is the wife of Mr. Ng and the sister of Mr. Ho.

Cheung King Hei, Davis, aged 40, is the chief accountant and management information system of the Group. He is responsible for the accounting and management information system functions of the Group. He holds a Bachelor of General Studies Degree from the Open University of Hong Kong. Prior to joining the Group in March 1999, he worked as an accounting manager for Tamron Shipping Company Limited, a shipping company, for approximately six years.

Yeung Chung Pang, aged 37, is the general manager (Asia Pacific) of the Group. He is responsible for the sales and marketing of the Group for the Asia Pacific markets. He holds a Bachelor of Arts Degree in Chinese Language and Literature from Hong Kong Baptist University and a Diploma in Selling and Sales Management. Mr. Yeung has over 12 years experience in the field of bags and wallets. Prior to joining the Group in January 2000, he worked as a sales manager for Timmex International Limited, a bags trading and manufacturing company for approximately one year.

DIRECTORS AND SENIOR MANAGEMENT

Kwan Wai Fan, Betty, aged 32, is the sales and operation manager of the Group. She is responsible for the retail operation for the Hong Kong market. She has over fourteen years of experience in the retail industry. Prior to joining the Group in May 1999, she worked in various managerial and sales positions for St Anna Handbag International Limited, a bags retailer for approximately ten years.

REPORT OF THE DIRECTORS

The directors present their first annual report and the audited financial statements of FX Creations International Holdings Limited (the “Company”) for the period from 10 January 2002 (date of incorporation) to 31 March 2002, which include supplementary pro forma combined financial statements of the Company and its subsidiaries (hereinafter referred collectively as the “Group”) (legally created after 31 March 2002) for the year ended 31 March 2002.

GROUP REORGANISATION, SUBSIDIARIES AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands on 10 January 2002. Pursuant to a reorganisation scheme, (the “Group Reorganisation”) to rationalise the Group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of other companies comprising the Group on 2 May 2002. Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 1 and 23, and 15 to the financial statements, respectively, and in the Company’s prospectus dated 8 May 2002 (the “Prospectus”).

The shares of the Company were listed on GEM on 21 May 2002.

In order to apprise the Company’s shareholders of the pro forma combined financial results and position of the Group as if the Group have been in existence throughout the year ended 31 March 2002, supplementary financial information comprising the pro forma combined profit and loss account, balance sheet and cash flow statement are included in this annual report. The basis of preparing the aforesaid supplementary financial information, which is detailed in note 1 to the financial statements, is consistently applied for information referring to the Group presented in this report of the directors.

PRINCIPAL ACTIVITIES

As at 31 March 2002, the Company had not yet commenced business and the Group was not in existence. Had the Group Reorganisation been completed on 31 March 2002, the principal activity of the Company would have been investment holding. Details of the principal activities of the subsidiaries (the “Subsidiaries”) are set out in note 15 to the financial statements. The nature of these principal activities has not changed during the year.

SEGMENT INFORMATION

An analysis of the Group’s pro forma combined turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 5 to the financial statements.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The Group's pro forma combined profit for the year ended 31 March 2002 and its pro forma combined state of affairs as at that date, together with the state of affairs of the Company as at 31 March 2002, are set out in the financial statements on pages 25 to 52.

During the year, a special dividend of HK\$2,000,000 was paid by a subsidiary of the Group to its then shareholders prior to the Group Reorganisation.

The directors do not recommend any payment of any final dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the pro forma combined results and of the pro forma combined assets and liabilities of the Group for each of the three financial years prepared on the basis as set out in notes 1 and 2 below:

PRO FORMA COMBINED RESULTS

	Year ended 31 March		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	49,587	38,502	39,861
Profit before tax	2,342	2,279	682
Tax	(422)	(410)	3
Net profit from ordinary activities attributable to shareholders	1,920	1,869	685

PRO FORMA COMBINED ASSETS AND LIABILITIES

	31 March		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	12,315	8,903	7,856
Total liabilities	10,557	7,065	7,887
	1,758	1,838	(31)

REPORT OF THE DIRECTORS

Notes:

1. The summary of the pro forma combined results of the Group for each of the two years ended 31 March 2001 was extracted from the Prospectus. Such summary was prepared as if the current Group structure had been in existence throughout these financial years. The pro forma combined results of the Group for the year ended 31 March 2002 are those set out on page 26 of the financial statements.
2. The summary of the pro forma combined assets and liabilities as at 31 March 2000 and 2001 was extracted from the Prospectus. Such summary was prepared on the same basis as detailed in note 1 above. The pro forma combined assets and liabilities as at 31 March 2002 are those set out on page 27 of the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's issued share capital since its incorporation on 10 January 2002, together with the reasons therefore, and share options, are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2002, the Company did not have any distributable reserves.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of associations or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The Group did not exist at 31 March 2002. Had the Group Reorganisation been completed, the turnover attributable to the five largest customers of the Group would have accounted for approximately 30% of the Group's pro forma combined turnover for the year. Turnover from the Group's largest customer would have accounted for approximately 19% of the Group's pro forma combined turnover for the year.

The purchases attributable to the five largest suppliers of the Group would have accounted for approximately 79% of the Group's pro forma combined purchases for the year. Purchases from the Group's largest supplier would have accounted for approximately 37% of the Group's pro forma combined purchases for the year.

REPORT OF THE DIRECTORS

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company for the period from 10 January 2002 (date of incorporation) to the date of this report were as follow:

Executive directors:

Ng Pak To, Petto	(appointed on 14 January 2002)
Ho Kai Chung, David	(appointed on 14 January 2002)
Ong Chor Wei	(appointed on 14 January 2002)
Neil T. Cox	(appointed on 10 January 2002 and resigned on 14 January 2002)

Non-executive director:

Wong Wai Shan	(appointed on 14 January 2002)
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Independent non-executive directors:

Kau Man Wai, Leslie	(appointed on 14 January 2002)
Christopher C. Leu	(appointed on 14 January 2002)

In accordance with article 86(3) of the Company's article of association, all the directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's article of association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 15 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the transactions relating to the Group Reorganisation, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ng Pak To, Petto and Mr. Ho Kai Chung, David has entered into a service contract with FX Creations International Limited, a subsidiary of the Company, for an initial term of three years commencing from 21 May 2002, which will continue thereafter until terminated by either party giving not less than three months' notice in writing.

Apart from the forgoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

Subsequent to the balance sheet date, on 21 May 2002, the shares of the Company were listed on GEM. Accordingly, at the date of this report, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were set out below:

	Type of interest		Number of issued ordinary shares held
Ng Pak To, Petto	Note	Corporate	280,000,000

Note: These shares represent a 70% equity interest in the Company and are held by Wise New Management Limited ("WNML"). The issued share capital of WNML is beneficially owned by Cashtram Associates Limited as to 45%, FX Creations (Holding) Inc. as to 30% and Forge Smart Investments Limited as to 25%. The issued share capital of Cashtram Associates Limited is owned as to 40%, 30%, 20% and 10% by Mr. Ng Pak To, Petto, Mr. Ho Kai Chung, David, Madam Ho Pui Lai and Mr. Tan Yu, Wally, respectively.

Save as disclosed above, as at the date of this report, none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations as defined in Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings prescribed by the Rules Governing the Listing of Securities (the "Listing Rules") on GEM.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors interests in shares" and the transactions relating to the Group Reorganisation as disclosed above, at no time since the incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of recognising significant contributions of the employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group’s long term success and prosperity.

Eligible participants of the Scheme include any employees, consultants, advisers, suppliers or customers of the Company and its subsidiaries, including any directors of the Company and its subsidiaries. The Scheme became effective on 21 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted shall be determined by the board of directors and notified to the relevant grantee, but must not be more than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company’s shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of offer of the option, or (iii) the nominal value of the Company’s shares on the date of offer.

As the date of this report, no share options have been granted under the Scheme.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, so far as the directors are aware, other than the interests of the directors as disclosed under the heading “Directors’ interests in shares” above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed no person as having an interest of more than 10% of the nominal value of the Company’s issued share capital.

Save as disclosed above, the Company had not been notified of any other interest representing 10% or more in the issued share capital of the Company at the balance sheet date.

PURCHASE, REDEMPTION OR SALES OF THE LISTED SECURITIES OF THE COMPANY

Since the listing of the Company on GEM on 21 May 2002 and up to the date of this report, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 27 to the financial statements.

SPONSORS’ INTERESTS

At the date of this report, Kingston Corporate Finance Limited (the “Sponsor”), its directors, employees or associates did not have any interest in the securities of the Company or of any members of the Group, or have any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to the sponsor agreement entered into between the Company and the Sponsor, the Sponsor received, and will receive, fees for acting as the Company’s retained sponsor for the period from 21 May 2002 to 31 March 2005.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the Listing Rules since the listing of the Company’s shares on GEM on 21 May 2002.

AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) on 2 May 2002, with written terms of reference in compliance with the Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises the two independent non-executive directors of the Company, namely Mr. Christopher C. Leu and Ms. Kau Man Wai, Leslie. The pro forma combined financial statements of the Group for the year ended 31 March 2002 have been reviewed by the

REPORT OF THE DIRECTORS

Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young were appointed as the first auditors of the Company for the period ended 31 March 2002.

Ernst & Young retire and, a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ng Pak To, Petto

Chairman

Hong Kong
24 June 2002

REPORT OF THE AUDITORS



To the members

FX Creations International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2002 and of its result for the period from 10 January 2002 (date of incorporation) to 31 March 2002 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong
24 June 2002

BALANCE SHEET

31 March 2002

	Notes	HK\$'000
CURRENT ASSETS		
Cash and bank balances		—
<hr/>		
CAPITAL		
Issued capital	1, 23	—
<hr/>		

Director

Director

PRO FORMA COMBINED PROFIT AND LOSS ACCOUNT*Year ended 31 March 2002*

	Notes	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
TURNOVER	6	49,587	38,502
Cost of goods sold		(18,416)	(14,139)
Gross profit		31,171	24,363
Other revenue		244	82
Selling and distribution costs		(17,899)	(14,329)
Administrative expenses		(10,793)	(7,387)
PROFIT FROM OPERATING ACTIVITIES	7	2,723	2,729
Finance costs	8	(381)	(450)
PROFIT BEFORE TAX		2,342	2,279
Tax	11	(422)	(410)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		1,920	1,869
DIVIDEND	12	2,000	—
EARNINGS PER SHARE	13		
Basic		HK0.69 cent	HK0.67 cent
Diluted		N/A	N/A

Other than the net profit for the year attributable to shareholders, the Group had no recognised gains or losses. Accordingly, a pro forma combined statement of recognised gains and losses is not presented in the financial statements.

PRO FORMA COMBINED BALANCE SHEET

31 March 2002

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FX CREATIONS INTERNATIONAL HOLDINGS LIMITED

	Notes	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
NON-CURRENT ASSETS			
Fixed assets	14	946	1,618
Rental deposits		939	854
		1,885	2,472
CURRENT ASSETS			
Inventories	16	978	1,253
Accounts and bills receivable	17	4,342	1,447
Prepayments, deposits and other receivables		3,047	1,064
Due from a director	18	—	103
Due from a related company	19	—	29
Pledged bank deposit	21	1,840	2,046
Cash and bank balances		223	489
		10,430	6,431
CURRENT LIABILITIES			
Accounts payable	20	3,020	1,984
Trust receipt loans	21	1,321	1,048
Accrued liabilities and other payables		1,659	728
Tax payable		418	298
Bank loans, unsecured	21	1,216	1,757
Bank loan, secured	21	600	600
Bank overdrafts, secured	21	2,078	—
		10,312	6,415
NET CURRENT ASSETS			
		118	16
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,003	2,488
NON-CURRENT LIABILITIES			
Bank loans, unsecured	21	245	590
Deferred tax	22	—	60
		245	650
		1,758	1,838
CAPITAL AND RESERVE			
Issued capital	23	56	56
Retained profits		1,702	1,782
		1,758	1,838

Director

Director

PRO FORMA COMBINED CASH FLOW STATEMENT

Year ended 31 March 2002

	Notes	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
NET CASH INFLOW FROM OPERATING ACTIVITIES	24(a)	3,228	3,455
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		50	78
Interest paid		(381)	(450)
Net cash outflow from returns on investments and servicing of finance		(331)	(372)
TAX			
Tax paid		(362)	(25)
INVESTING ACTIVITIES			
Purchases of fixed assets		(898)	(1,808)
Increase in an amount due from a director		(3,603)	(103)
Decrease/(increase) in an amount due from a related company		29	(36)
Release of pledged/(pledge of) a bank deposit		206	(2,046)
Net cash outflow from investing activities		(4,266)	(3,993)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(1,731)	(935)
FINANCING ACTIVITIES	24(b)		
Repayment of advance from a director		—	(457)
New bank loans		1,100	2,600
Repayment of bank loans		(1,986)	(1,425)
Net cash inflow/(outflow) from financing activities		(886)	718
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,617)	(217)
Cash and cash equivalents at beginning of year		(559)	(342)
CASH AND CASH EQUIVALENTS AT END OF YEAR		(3,176)	(559)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		223	489
Bank overdrafts, secured		(2,078)	—
Trust receipt loans with original maturity of less than three months when advanced		(1,321)	(1,048)
		(3,176)	(559)

NOTES TO FINANCIAL STATEMENTS

31 March 2002

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company

The Company was incorporated in the Cayman Islands on 10 January 2002 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. On incorporation, the Company had an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On 14 January 2002, one subscriber share was transferred to Wise New Management Limited (“WNML”) for cash at par. Apart from the aforesaid shares issued, no other transactions were carried out by the Company during the period from 10 January 2002 to 31 March 2002. Accordingly, the Company has no results, cash flows or recognised gains or losses to report for the period ended 31 March 2002.

Since the Company was incorporated on 10 January 2002, no comparative amounts as at 31 March 2001 have been presented in the Company’s balance sheet.

Group reorganisation

Pursuant to a reorganisation scheme (the “Group Reorganisation”) to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in May 2002, the Company became the holding company of the companies now comprising the Group on 2 May 2002. This was accomplished by the Company acquiring of the entire issued share capital of Resource Base Enterprises Limited (“RBEL”), the then holding company of other subsidiaries set out in note 15 to the financial statements, in consideration for the allotment and issue of 5,599,999 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to WNML, the former shareholder of RBEL. Further details of the Group Reorganisation are set out in note 23 to the financial statements and the Company’s prospectus dated 8 May 2002.

Basis of presentation

The Group Reorganisation involved companies under common control. For accounting purposes, the Company and its subsidiaries will be regarded and accounted for as a continuing group when the Company prepares its financial statements for the year ending 31 March 2003. Accordingly, for the benefit of shareholders, pro forma combined financial statements and related notes thereto have been presented as supplementary information of the current year on the basis that the Company is treated as the holding company of its subsidiaries for the financial years presented rather than from the subsequent date of acquisition of the subsidiaries as is required by Hong Kong Statements of Standard Accounting Practice (“SSAP”) 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants. The pro forma combined results of the Group for the years ended 31 March 2002 and 2001 and the pro forma combined balance sheets as at 31 March 2002 and 2001 have been prepared on the basis that the current Group structure was in place for the two years ended 31 March 2002.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

1. GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)

Basis of presentation (continued)

All significant transactions and balances among the companies comprising the Group have been eliminated in the preparation of the pro forma combined financial statements.

Although the Group Reorganisation had not been completed until 2 May 2002 and, accordingly, the Group did not legally exist until that date, in the opinion of the directors, the presentation of such supplementary pro forma combined financial statements prepared on the above basis is necessary to apprise the Company's shareholders of the Group's results and its state of affairs as a whole.

2. CORPORATE INFORMATION

As at 31 March 2002, the Company had not yet commenced business and the Group was not in existence as at that date. Had the Group Reorganisation been completed on 31 March 2002, the principal activity of the Company would have been investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. In the opinion of the directors, had the Group Reorganisation been completed on 31 March 2002, the ultimate holding company of the Company would have been WNML, a company incorporated in the British Virgin Islands.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations — subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

NOTES TO FINANCIAL STATEMENTS

31 March 2002

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

These SSAPs prescribe new accounting measurements and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements are summarised as follows:

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The pro forma combined financial statements of the Group have been presented on the basis as set out in note 1 above. They have been prepared under the historical cost convention.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company control, directly and indirectly, so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated at cost less any impairment losses.

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.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used are as follows:

Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	20%–30%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories, which comprises finished goods held for resale, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchases, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

Cash equivalents

For the purpose of the pro forma combined cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The Group's branch in Taiwan maintains its records in New Taiwan dollars. In order to present the combined financial position of the Group in Hong Kong dollars, the monetary assets and liabilities of the branch are translated at the applicable rate of exchange ruling at the balance sheet date. The income and expenses are translated at the exchange rates ruling at the transaction dates. Exchange differences are dealt with in the profit and loss account.

On combination, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the retail segment represents the selling of bags and accessories via retail shops and department store counters;
- (b) the wholesale segment represents the selling of bags and accessories via overseas agents and distributors; and
- (c) the corporate segment represents investment holding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Group

	Retail		Wholesale		Corporate		Combined total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
Segment revenue:								
Sales to external customers	32,726	26,479	16,861	12,023	—	—	49,587	38,502
Segment results	3,728	4,487	2,654	1,232	(3,659)	(2,990)	2,723	2,729
Finance costs							(381)	(450)
Profit before tax							2,342	2,279
Tax							(422)	(410)
Net profit from ordinary activities attributable to shareholders							1,920	1,869

NOTES TO FINANCIAL STATEMENTS

31 March 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Retail		Wholesale		Corporate		Combined total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
ASSETS								
Segment assets	4,421	4,541	3,011	848	4,258	3,317	11,690	8,706
Unallocated assets	—	—	—	—	—	—	625	197
Total assets							12,315	8,903
LIABILITIES								
Segment liabilities	—	—	—	—	4,589	3,675	4,589	3,675
Unallocated liabilities	—	—	—	—	—	—	5,968	3,390
Total liabilities							10,557	7,065
Other segment information:								
Depreciation	1,280	659	—	—	290	289	1,570	948
Capital expenditure	501	1,328	—	—	397	480	898	1,808

(b) Geographical segments

The following table presents revenue, certain assets and expenditure information for the Group's geographical segments.

Group

	Hong Kong, SAR		PRC (not including Hong Kong, SAR)		Taiwan		Singapore		Other		Combined total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
Segment revenue:												
Sales to external customers	32,136	28,398	9,254	5,920	5,621	524	1,603	1,327	973	2,333	49,587	38,502
Other segment information:												
Segment assets	9,421	4,897	1,335	666	1,214	212	230	—	115	3,128	12,315	8,903
Capital expenditure	554	1,776	—	—	344	32	—	—	—	—	898	1,808

NOTES TO FINANCIAL STATEMENTS

31 March 2002

6. TURNOVER

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant transactions among the companies comprising the Group have been eliminated on combination.

7. PROFIT FROM OPERATING ACTIVITIES

The Group's pro forma combined profit from operating activities is arrived at after charging/(crediting):

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Cost of inventories sold	18,416	14,139
Auditors' remuneration	476	30
Depreciation	1,570	948
Staff costs (excluding directors' remuneration, note 9):		
Salaries	10,674	8,343
Pension scheme contributions	411	130
	11,085	8,473
Minimum lease payments under operating lease rentals for land and buildings	12,421	8,794
Exchange losses, net	209	203
Interest income	(50)	(78)

8. FINANCE COSTS

Finance costs represents interest on bank loans and overdrafts wholly repayable within five years.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

9. DIRECTORS' REMUNERATION

Details of directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Fees:		
Executive directors	—	—
Independent non-executive directors	—	—
	—	—
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	234	234
Pension scheme contributions	11	3
	245	237
	245	237

One (2001: one) executive director of the Group received individual emoluments of approximately HK\$245,000 (2001: HK\$237,000) during the year ended 31 March 2002. No emoluments were paid to the other directors of the Company during the year.

The remuneration of each director fell within the nil–HK\$1,000,000 band.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2002

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included one (2001: Nil) executive director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, highest paid employees are set out as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Basic salaries, housing allowances, other allowances and benefits in kind	1,369	1,537
Bonuses	66	35
Pension scheme contributions	58	15
	1,493	1,587

The emoluments of each non-director, highest paid employees fell within the nil–HK\$1,000,000 band.

During the year, no emoluments were paid by the Group to any of the directors or the non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which any of the non-director, highest paid employees waived or agreed to waive any remuneration during the year (2001: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2002

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Current:		
Hong Kong	542	350
Overseas	27	—
Overprovision in prior years — Hong Kong	(87)	—
	482	350
Deferred tax charge/(credit) — note 22	(60)	60
Tax charge for the year	422	410

12. DIVIDEND

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Special dividend	2,000	—

A special dividend was paid by a subsidiary of the Group to its then shareholders prior to the Group Reorganisation as set out in notes 1 and 23 to the financial statements.

The dividend rate and the number of shares ranking for dividend are not presented as such information is not considered meaningful.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

13. EARNINGS PER SHARE

The calculation of pro forma basic earnings per share is based on the pro forma combined net profit from ordinary activities attributable to shareholders for the year ended 31 March 2002 of approximately HK\$1,920,000 (2001: HK\$1,869,000) and the pro forma weighted average of 280,000,000 (2001: 280,000,000) shares deemed to be in issue as further described in note 23 to the financial statements throughout the year.

Diluted earnings per share amount for the years ended 31 March 2001 and 2002 have not been disclosed as no diluting events existed during those years.

14. FIXED ASSETS**Group**

	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK\$'000 (note 1)	HK\$'000 (note 1)	HK\$'000 (note 1)
Cost:			
At beginning of year	1,989	1,634	3,623
Additions	493	405	898
At 31 March 2002	2,482	2,039	4,521
Accumulated depreciation:			
At beginning of year	913	1,092	2,005
Provided during the year	1,212	358	1,570
At 31 March 2002	2,125	1,450	3,575
Net book value:			
At 31 March 2002	357	589	946
At 31 March 2001	1,076	542	1,618

NOTES TO FINANCIAL STATEMENTS

31 March 2002

15. SUBSIDIARIES

Particulars of the subsidiaries which were acquired pursuant to the Group Reorganisation are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company	Principal activities
As if directly held				
Resource Base Enterprises Limited	British Virgin Islands	Ordinary US\$100	100	Investment holding
As if indirectly held				
FX Creations International Limited	Hong Kong	Ordinary HK\$10	100	Retail and distribution of bags
Hugo Point International Limited	Hong Kong	Ordinary HK\$100	100	Sub-letting of leased properties

16. INVENTORIES

	Group	
	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
Finished goods	978	1,253

At 31 March 2002, no inventories were stated at net realisable value (2001: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2002

17. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, which generally have credit terms of up to 75 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the Group's accounts and bills receivable as at the balance sheet date, based on the goods delivery date, is as follows:

	Group	
	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
Within 90 days	3,977	1,447
91-180 days	365	—
	4,342	1,447

18. DUE FROM A DIRECTOR

Particulars of the amount due from a director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

	At 31 March 2002 HK\$'000 (note 1)	Maximum amount outstanding during the year HK\$'000 (note 1)	At 1 April 2001 HK\$'000 (note 1)
Ng Pak To, Petto	—	3,603	103

The amount due from a director was unsecured, interest-free and was settled during the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

19. DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

	At 31 March 2002 HK\$'000 (note 1)	Maximum amount outstanding during the year HK\$'000 (note 1)	At 1 April 2001 HK\$'000 (note 1)
ecBags.com Limited	—	29	29

ecBag.com Limited is a company in which Mr. Ng Pak To, Petto and Mr. Ho Kai Chung, David, two directors of the Company, are directors and shareholders. The amount due from a related company was unsecured, interest-free and was settled during the year.

20. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the balance sheet date, based on the goods receipt date, is as follows:

	Group	
	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
Within 90 days	2,806	1,984
91–180 days	214	—
	3,020	1,984

NOTES TO FINANCIAL STATEMENTS

31 March 2002

21. BANKING FACILITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Unsecured bank loans repayable:		
Within one year	1,216	1,757
In the second year	245	590
	1,461	2,347
Portion classified as current liabilities	(1,216)	(1,757)
Long term portion	245	590

At 31 March 2002, the banking facilities of the Group were supported by the following:

- (i) the pledge of a bank deposit of HK\$1,840,000 (2001: HK\$2,046,000);
- (ii) personal guarantees executed by two directors of the Company and a director of a subsidiary of the Company;
- (iii) legal charges over certain properties owned by a director of the Company, a director of a subsidiary of the Company and a relative of a director of the Company; and
- (iv) a floating charge over the current assets of a subsidiary of the Company.

The Group has received written consent, in principle, from its bankers to the effect that upon the listing of the Company's shares on GEM, the personal guarantees from two directors of the Company and a director of a subsidiary of the Company, and the legal charges over certain properties owned by a director of the Company, a director of a subsidiary of the Company and a relative of a director of the Company will be released and replaced by corporate guarantees executed by the Company and/or other security provided by the Group.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

22. DEFERRED TAX

Movements in the provision for deferred tax liability are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
At beginning of year	60	—
Charge/(credit) for the year (note 11)	(60)	60
At end of year	—	60

As at 31 March 2002, no deferred tax had been provided because the Company and the Group had no significant timing differences at the balance sheet date.

23. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 10 January 2002 (date of incorporation) to 31 March 2002:

- (i) On incorporation, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each.
- (ii) On 14 January 2002, one subscriber share of HK\$0.01 was allotted and issued fully paid.
- (iii) On 14 January 2002, the subscriber share was transferred to WNML.

Subsequent to the balance sheet date, there were the following events:

- (iv) On 2 May 2002, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of a further 9,990,000,000 shares of HK\$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.
- (v) On 2 May 2002, as part of the Group Recognition set out in note 1 to the financial statements, the Company allotted and issued an aggregate of 5,599,999 shares, credited as fully paid, to WNML as consideration for the acquisition of the entire issued share capital of RBEL.
- (vi) On 2 May 2002, a total of 274,400,000 shares of HK\$0.01 each were allotted as fully paid at par to WNML.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

23. SHARE CAPITAL (continued)

- (vii) On 2 May 2002, the Company allotted and issued 260,000 shares of HK\$0.01 to each of Teamwire Industrial Limited, Multibest Industrial Limited and Giant Ample Investments Limited (collectively referred to as the “Pre-IPO Investors”) at a total consideration of HK\$4,875,000.
- (viii) On 2 May 2002, a total of 38,220,000 shares of HK\$0.01 each were allotted as fully paid at par to the Pre-IPO Investors.
- (ix) The capitalisation shares, as stated in (vi) and (viii), were issued by way of the capitalisation of the sum of a total of HK\$3,126,200 standing to the credit of the share premium account of the Company. This allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued to the public.
- (x) On 16 May 2002, 81,000,000 shares of HK\$0.01 each were issued to the public at HK\$0.26 each for a total cash consideration, before related issuing expenses of approximately HK\$7,760,000, of HK\$21,060,000.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

23. SHARE CAPITAL (continued)

The following is a summary of the above movements in the authorised and issued share capital of the Company:

	Notes	Number of authorised shares ('000)	Number of issued shares	Nominal value of shares issued HK\$
Shares allotted and issued, credited as fully paid on incorporation	(i), (ii)	10,000	1	—
Increase in authorised share capital	(iv)	9,990,000	—	—
Shares issued as consideration for acquisition of the entire issued share capital of RBEL	(v)	—	5,599,999	56,000
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the share offer to the public	(vi)	—	274,400,000	—
Pro forma share capital as at 31 March 2001 and 2002		10,000,000	280,000,000	56,000
Shares issued to the Pre-IPO Investors	(vii)	—	780,000	7,800
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the share offer to the public	(viii)	—	38,220,000	—
New issue on public listing	(x)	—	81,000,000	810,000
Capitalisation of the share premium account as set out above	(ix)	—	—	3,126,200
		10,000,000	400,000,000	4,000,000

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the section "Share option scheme" in the Report of the Directors.

Since the Scheme became effective and up to the date of this report, no share options have been granted pursuant to the Scheme.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

24. NOTES TO THE PRO FORMA COMBINED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	Group	
	2002 HK\$'000 (note 1)	2001 HK\$'000 (note 1)
Profit from operating activities	2,723	2,729
Interest income	(50)	(78)
Depreciation	1,570	948
Decrease/(increase) in inventories	275	(245)
Decrease/(increase) in accounts and bills receivable	(2,895)	2,474
Increase in prepayments, deposits and other receivables	(362)	(446)
Increase/(decrease) in accounts payable	1,036	(1,793)
Increase/(decrease) in accrued liabilities and other payables	931	(134)
Net cash inflow from operating activities	3,228	3,455

(b) Analysis of changes in financing during the year

	Due to a	Bank loans
	director HK\$'000 (note 1)	HK\$'000 (note 1)
At 1 April 2000	457	1,772
Net cash inflow/(outflow) from financing	(457)	1,175
At 31 March 2001 and 1 April 2001	—	2,947
Net cash outflow from financing	—	(886)
At 31 March 2002	—	2,061

NOTES TO FINANCIAL STATEMENTS

31 March 2002

24. NOTES TO THE PRO FORMA COMBINED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions

- (i) A subsidiary of the Company declared a special dividend of HK\$2,000,000 (2001: Nil), which was settled through the current account with a director.
- (ii) During the year, prepayments of HK\$1,706,000 (2001: Nil) were paid by a director on behalf of the Group.

25. CONTINGENT LIABILITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Bills discounted with recourse	—	239

26. COMMITMENTS

(a) Operating lease arrangements

The Group leases certain of its office premises, warehouses, retail shops and department store counters under non-cancellable operating lease arrangements with lease terms ranging from one to three years.

At 31 March 2002, the Group had total future minimum lease payments in respect of non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
	(note 1)	(note 1)
Land and buildings expiring:		
Within one year	7,287	5,980
In the second to fifth years, inclusive	5,958	1,479
	13,245	7,459

- (b) At the balance sheet date, the Group had contracted commitments in respect of purchases of certain fixed assets of HK\$157,500 (2001: Nil).

As at 31 March 2002, the Company did not have any significant commitments.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

27. POST BALANCE SHEET EVENTS

In addition to the matters set out in notes 1, 21 and 23 to the financial statements, subsequent to the balance sheet date, on 2 May 2002, a written resolution was passed pursuant to which the Company conditionally adopted the Scheme. On 21 May 2002, upon the listing of the Company's shares on GEM, such Scheme became effective. Further details of the Scheme are set out under the section "Share option scheme" in the Report of the Directors and in note 23 to the financial statements.

An adjusted pro forma combined balance sheet of the Group as at 31 March 2002, which is based on the pro forma combined balance sheet of the Group as at 31 March 2002 and adjusted as if the events subsequent to the balance sheet date as set out in notes 23(vii), (ix) and (x) to the financial statements above had taken place on 31 March 2002, is presented below:

	Pro forma combined balance sheet as at 31 March 2002	Shares issued to the Pre-IPO investors	Pro forma post balance sheet events adjustments		Adjusted pro forma combined balance sheet as at 31 March 2002
	HK\$'000	HK\$'000 (note 23 (vii))	Capitalisation of shares	Shares issued to the public	HK\$'000
			HK\$'000 (note 23 (ix))	HK\$'000 (note 23 (x))	HK\$'000
Non-current assets	1,885				1,885
Current assets	10,430	4,875		13,300	28,605
Current liabilities	(10,312)				(10,312)
Net current assets	118				18,293
Non-current liabilities	(245)				(245)
Net assets	1,758				19,933
Issued capital	56	8	3,126	810	4,000
Reserves	1,702	4,867	(3,126)	12,490	15,933
	1,758				19,933

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 June 2002.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the shareholders of FX Creations International Holdings Limited (the “Company”) will be held at Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 9 August 2002, at 11:00 a.m. for the following purposes:

1. to receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31st March, 2002;
2. to re-elect directors and to authorize the board of directors to fix the directors’ remuneration;
3. to re-appoint auditors and authorize the board of directors to fix the remuneration;
4. by way of special business, to consider and, if thought fit, pass with or without alterations, the following resolutions as ordinary resolution:

(1) **That:**

- (a) subject to paragraph (c) below the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including, without limitation, warrants, bonds and debentures convertible into shares) which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including, without limitation, warrants, bonds and debentures convertible into shares) which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (where pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the grant or exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the memorandum and articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or

NOTICE OF ANNUAL GENERAL MEETING

conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:

- (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
- (ii) (if the directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution), and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual meeting of the Company is required by the memorandum and articles of association of the Company, or any applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for share open for a period fixed by the directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong).

NOTICE OF ANNUAL GENERAL MEETING

- (2) **That:**
- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its shares on the Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission. The Stock Exchange of Hong Kong Limited, the memorandum and articles of association of the Company, and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
 - (c) for the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, or any applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.
- (3) **That** the directors of the Company be and they are hereby authorized to exercise the authority referred to in paragraph (a) of Resolution no. 4(1) above in respect of the share capital of the Company referred to in subparagraph (ii) of paragraph (c) of such Resolution.

By order of the Board
Ong Chor Wei
Company Secretary

28 June 2002

NOTICE OF ANNUAL GENERAL MEETING

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

Head Office and Principal Place of Business:

Workshop A6, 12th Floor, Block A
Hong Kong Industrial Centre
489-491 Castle Peak Road
Kowloon
Hong Kong

Notes:

- (a) A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- (b) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's Hong Kong branch share registrar, Tengis Limited, at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time for holding the meeting or at any adjournment thereof.
- (c) In relation to proposed resolutions no. 4 above, approval is being sought from the shareholders for the grant to the directors of the Company of a general mandate to authorize the allotment and issue of shares under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The directors of the Company have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.