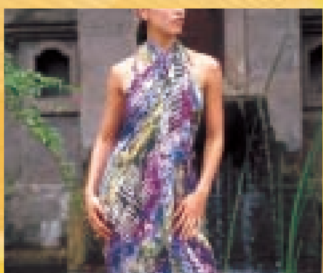
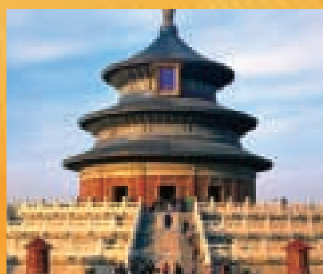
Grandtop International Holdings Limited

泓鋒國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2309)




ANNUAL REPORT 2007

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yeung Ka Sing, Carson
Mr. Hui Ho Luek, Vico
Mr. Steven McManaman
Mr. Lee Yiu Tung
Mr. Ip Wing Lun
Ms. Wong Po Ling, Pauline
Ms. Bessie Siu

Non-executive Director

Mr. Fu Wing Kwok, Ewing

Independent Non-executive Directors

Mr. Chang Kin Man
Mr. Zhou Han Ping
Mr. Yip Man Ki

COMPANY SECRETARY

Mr. Edmund Siu

AUDIT COMMITTEE

Mr. Chang Kin Man
Mr. Zhou Han Ping
Mr. Yip Man Ki

NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Mr. Chang Kin Man
Mr. Zhou Han Ping
Mr. Yip Man Ki

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3008, 30/F, West Tower,
Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

SHARE REGISTRAR

Principal share registrar and transfer office

Butterfield Fund Services (Cayman) Limited
Butterfield House,
68 Fort Street,
P.O. Box 705,
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch share registrar

Tengis Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

COMPANY WEBSITE

http://www.irasia.com/listco/hk/grandtop/index.htm

AUDITORS

M. C. Ng & Co.
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law
Robertsons Solicitors & Notaries

As to Cayman Islands law
Conyers Dill & Pearman, Cayman

PRINCIPAL BANKERS

Hang Seng Bank
Standard Chartered Bank
The Bank of East Asia

STOCK CODE

2309

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Grandtop International Holdings Limited, I am pleased to report the annual results of the Company together with its subsidiaries (collectively the "Group") for the year ended 31 March 2007.

PERFORMANCE

Turnover of the Group for the year ended 31 March 2007 was approximately HK$42,813,000 (2006: HK$48,428,000), represented a decrease of approximately 11.6% as compared to the previous year. Loss attributable to shareholders was approximately HK$11,050,000 (2006: HK$79,610,000). Loss per share decreased to HK$0.034 (2006: HK$0.249)

THE OUTLOOK

Our Company is the first listed company to have equity interests in a premier football league club in England. Birmingham City is a well known football club in England and the rest of the world, who have well known players all over the continents. The Board believes that the acquisition is a good opportunity to diversify the Group's business. Furthermore, the Group could supply and source apparel, accessories and related products of Birmingham Football Club.

We are looking forward to introduce Birmingham City in Asian markets and possibly helping the domestic football league to have a place in world football arena.

APPRECIATION

On the behalf of the Board, I would like to take this opportunity to express my gratitude to our customers for their continued trust and support. I would also like to express our appreciation to the management and staff members for their hard work and significant contribution to the Group in the past year. Finally, I would like to thank our shareholders for their support to the Company.

Mr. Yeung Ka Sing, Carson
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2007, the Group recorded a consolidated turnover of approximately HK$42.8 million, which represented an approximately 11.6% decrease as compared to the previous year of approximately HK$48.4 million. Such decrease was mainly due to a change in the Group's focus from apparel sourcing to apparel trading business during the year. In current year, apparel sourcing business accounted for approximately 2.3% to the Group's total turnover while it was approximately 9.3% in previous year. Such change was to minimise further loss attributable to the apparel sourcing business.

During the year under review, the gross profit margin of the Group was approximately 14.5% while it was approximately 19.7% in previous year. The decrease in the gross profit margin was mainly due to increase in cost of sales in the Group's apparel trading business which faced a fierce competition in price and increase in demand of quality in both Hong Kong and Macau markets during the year.

In view of the increase in cost of sales from the Group's apparel trading business, the Group had implemented several remedial measures to better control in its operating costs. In particular, the Group had formulated a credit and inventories control team to closely monitor outstanding debts and inventories level. As a result, the impairment loss on trade receivables and provision of obsolete inventories were significantly reduced during the year under review.

By implementing those remedial measures, both operating and administrative expenses had been successfully controlled and improved during the year and the Group's net loss in current year had been narrowed from approximately HK$79.6 million in previous year to approximately HK$11.1 million in current year. Consequently, the loss per share attributable to the shareholders of the Company had been improved from HK$0.249 in previous year to HK$0.034 for the current year.

During the year under review, most of the Group's revenue was mainly derived from the PRC, Hong Kong, and Macau markets and accounted for approximately 45%, 7.7% and 47.3% to the Group's total turnover.

REVIEW OF OPERATIONS

Divisional Operating Performance

The Group's principal activities are engaged in (i) apparel sourcing, (ii) apparel trading and (iii) provision of sales support services. Turnover derived from these three operations are accounted for approximately 2.3%, 97.7% and 0% of the Group's total turnover respectively (2006: 9.3%, 90.7% and 0%). During the year under review, the Group had minimised the apparel sourcing and sales support businesses and focused on apparel trading business. The details on the review of each business operation are discussed below:

Apparel Sourcing

During the year under review, turnover derived from the Group's apparel sourcing business was approximately HK$1.0 million, represented a decrease of approximately 78% as compared to the previous year of approximately HK$4.5 million. The Group also recorded a loss of approximately HK$2.8 million from the apparel sourcing business in the current year.

Following on booming economic condition in both Hong Kong and Macau, the purchasing power from customers in both Hong Kong and Macau markets increased significantly during the year under review. Such booming market condition attracts local competitors entering into the apparel sourcing market and lead to the increase in competition in terms of price and quality of the apparel products, consequently, the profit margin of the Group's apparel sourcing business was adversely affected.

In view of low profit margin and significant resources were required to operate the apparel sourcing business such as sales team and other operating costs, the Group's decided to mininise the apparel sourcing business in order to avoid further losses. As a result, turnover derived from the Group's apparel sourcing business was significantly decreased as compared to previous year. The Group will closely monitor the market situation in both Hong Kong and Macau and will reallocate more resources in the apparel sourcing business in the future when the adverse effect from the increase in competition has diminished.

REVIEW OF OPERATIONS *(Continued)*

Sales Support Services

During the year under review, the sales support services business remained inactive during the year and therefore no turnover derived from the provision of sales support services. Following from the cessation of the quota system for textile products export to the United States, there was a lack of demand from customers for the Group's sales support services. The Group is currently in the process to consider the restructuring of the sales support services business by providing other additional value added services for customers to export their products to the United States and other countries.

Apparel Trading

Apparel trading business was the core business of the Group which comprised of wholesales and retails of apparel products in the PRC, Hong Kong and Macau. For the year ended 31 March 2007, turnover derived from the apparel trading business was approximately HK$41.8 million, represented a decrease of approximately 5% as compared to previous year. Such decrease was mainly due to closure of retails outlet in Hong Kong during the year under review. The main reason was due to the expiry of the rental lease and a significant increase in rental anticipated for renewing the lease. After considering the cost budget of the retails section in Hong Kong, the Group decided to close down the retails outlet in Hong Kong. The Group will closely monitor the market condition in Hong Kong and will look for other suitable place to resume the retails section in Hong Kong.

During the year under review, the Group's apparel trading business recorded a loss of approximately HK$3.5 million which was mainly due to the increase in the cost of apparel products and significant increase in salaries and allowances. Nevertheless, the loss of approximately HK$3.5 million has been improved from approximately HK$14.2 million in previous year. The reason for such improvement was mainly due to significant decrease in the impairment of trade receivable and provision of obsolete inventories which was as a result of better control of the inventories level and recovery of the outstanding debts.

FUTURE BUSINESS PROSPECTS AND PLANS

In view of both Hong Kong and Macau are experiencing an impressive economic growth, the purchasing power from customers is anticipated to increase in coming years. Although the Group's apparel sourcing and apparel trading business faced a comprehensive challenge from local competitors, the Group will take every step to overcome the challenge by restructuring the cost structure as well as formulating new business plans to expand revenue by entering into trading of high margin apparel products in the future.

FUTURE BUSINESS PROSPECTS AND PLANS *(Continued)*

In addition to focusing on the Group's apparel trading business, the Group will implement new business strategy to expand the Group's business model in the future. In July 2007, the Group has completed the acquisition of 29.9% equity interests in Birmingham City Plc. which operates a well established football club and play in the top division — Premier League in England. Following on the acquisition, the Group will be benefited from supply and source apparel, accessories and related products for Birmingham Football Club in the future. Moreover, the Company has appointed a former England international football player - Steven McManaman to be an executive director of the Company. Mr. McManaman played in a career spanning two of European Football's biggest clubs in Liverpool F.C. and Real Madrid F.C. and accumulated substantial experience in the management of football club and its continuing development. Together with his indepth knowledge in football industry, the Group is confident that the newly acquired associate — Birmingham City Plc. will bring positive return to the Group and its shareholders in the future.

Furthermore, apart from the acquisition of 29.9% equity interests in Birmingham City Plc., the Group will continue to explore and identify investment opportunities to add to the Group's investment portfolio so as to enhance shareholders' value by organic growth.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 March 2007 (2006: Nil).

CAPITAL STRUCTURE

It is the intention of the Group to maintain a strong and stable financial position to ensure an efficient capital structure over time. As at 31 March 2007, the Group had total assets of approximately HK$23.2 million (2006: HK$41.4 million), comprising non-current assets of approximately HK$5.3 million (2006: HK$20.6 million) and current assets of approximately HK$17.9 million (2006: HK$20.9 million).

As at 31 March 2007, total debts of the Group amounted to approximately HK$23.2 million, represented a decrease of 39.1% as compared to previous year of approximately HK$38.2 million. Such decrease was mainly due to release of mortgage loan upon disposal of certain subsidiaries during the year. Apart from this, there was no significant change in the Group's debt structure and the current year's total debts remained fairly stable as compared to that of previous year. As at 31 March 2007, total debts of the Group mainly consisted of trade payables and other payables of approximately HK$3.1 million and tax payable (including current and deferred taxation) of approximately HK$20.2 million.

CAPITAL STRUCTURE *(Continued)*

The current ratio, representing current assets divided by current liabilities, has been improved from previous year of 0.65 to the current year of 0.77. The quick ratio also improved from last year of 0.37 to the current year of 0.62. The improvement in both current ratio and quick ratio was mainly as a result of increase in cash and bank balances and the reduction in current liabilities during the current year. The Group remained fairly low level of debts and the directors considered that the Group has sufficient cash flow to settle all the debts when they fall due.

As at 31 March 2007, the shareholders have deficit of approximately HK$55,000 while it was approximately HK$3.3 million surplus in the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

It is the intention to manage its cash and bank balances and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. Cash and bank balances of the Group as at 31 March 2007 were approximately HK$6.8 million, represented an increase of 1.7 times as compared to the previous year of approximately HK$2.5 million. After considering the strong cash position as at 31 March 2007 and various fund raising exercises such as open offer and cash placement subsequent to the balance sheet date, the directors have considered that the Group maintains a healthy liquidity position and is able to settle all the debts when they fall due.

The Group generally financed its operations and serviced its debts primarily through internally generated cash flows from its operations. As at 31 March 2007, the Group did not have any outstanding bank borrowings (2006: approximately HK$6.0 million).

The Group had contingent liabilities of approximately HK$3 million as at balance sheet date which alleged claim for reimbursement of expenses paid by its former senior management on behalf of the Company and its subsidiary. Further details in connection with the above contingent liabilities have been disclosed in note 30 to the financial statements.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As at 31 March 2007, substantially all of the monetary assets of the Group were comprised of cash and bank balance and trade receivables, which denominated in Hong Kong dollars and Renminbi. As the exchange rates of Hong Kong dollars against Renminbi were considered relatively stable during the year, the Group's exposure to fluctuations in exchange rates was minimal. In addition, the Group did not have any foreign currency investment which has been hedged by currency borrowings and other hedging instruments. The Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

PLEDGE AND CHARGE OF GROUP ASSETS

As at 31 March 2007, the Group did not have assets pledged to secure any outstanding borrowings (2006: approximately HK$9.2 million).

HUMAN RESOURCES

As at 31 March 2007, the Group employed 32 employees. The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors and the Company's remuneration committee. Apart from the provident fund scheme, medical insurance scheme, discretionary bonuses and share options may also be awarded to employees according to the assessment of individual performances. During the year under review, the Group has not encountered any problem with the recruitment of its employees. None of the companies in the Group has experienced any labour disputes during the year and the directors of the Company consider that the Group has maintained an excellent employment relationship.

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2007.

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the year ended 31 March 2007, the Company has applied the principles of the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and complied with all the applicable code provisions of the Code, except the following:

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 March 2007, the Company did not have any chief executive officer. The executive directors collectively oversaw the strategic development of the Group, monitored and controlled the financial performance and day-to-day operations of the Group.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all of the independent non-executive directors and non-executive directors have not been appointed for a specific term and they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

Further to the resignation of Mrs. Tsai Lai Wa, Jenny as the executive director and executive chairlady of the Company, the Company had appointed Mr. Yeung Ka Sing, Carson as the executive director of the Company and was appointed as the chairman of the Board on 20 July 2007.

DIRECTORS' SECURITIES TRANSACTIONS

For the year ended 31 March 2007, the Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 March 2007, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a separate chairman and chief executive officer. The two positions are assumed by different persons, in order to ensure that their independence, accountability and power are clear. Mr. Yeung Ka Sing, Carson, the chairman of the Board, is responsible for the operation of the Board and the formulation of the Company's strategies and policies, Mr. Hui Ho Luek, Vico, the chief executive officer, with the assistance of other members of the Board and senior management, is responsible for the management of the Company's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall.

BOARD OF DIRECTORS

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company and in the interests of the Company's shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the general manager and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the general manager and the senior management to discharge its responsibilities.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. Directors during the year and up to the date of this report are as follows:

Executive Directors

Mr. Yeung Ka Sing, Carson	(appointed on 20 July 2007)
Mr. Hui Ho Luek, Vico	(appointed on 20 June 2007)
Mr. Steven McManaman	(appointed on 2 July 2007)
Mr. Lee Yiu Tung	(appointed on 13 June 2006)
Mr. Ip Wing Lun	(appointed on 5 December 2006 as independent non-executive director and re-designated as non-executive director on 22 May 2007 and re-designated as executive director on 17 July 2007)
Ms. Wong Po Ling, Pauline	(appointed on 29 May 2007)
Ms. Bessie Siu	(appointed on 25 April 2006)
Mr. Edmund Siu	(resigned on 12 July 2006)
Mrs. Tsai Lai Wa, Jenny	(resigned on 21 August 2006)
Ms. Mao Yue	(resigned on 28 February 2007)

BOARD OF DIRECTORS *(Continued)*

Alternate Director

Mr. Peter Christopher Tashjian	(alternate to Mrs. Tsai Lai Wa, Jenny) (appointed on 11 July 2006 and resigned on 21 August 2006)

Non-Executive Director

Mr. Fu Wing Kwok, Ewing	(re-designated as non-executive director on 12 July 2006)
Mr. Ip Wing Lun	(appointed on 5 December 2006 as independent non-executive director and re-designated as non-executive director on 22 May 2007)

Independent Non-executive Directors

Mr. Chang Kin Man	(appointed on 13 June 2006)
Mr. Zhou Han Ping	(appointed on 28 February 2007)
Mr. Yip Man Ki	(appointed on 22 May 2007)
Mr. Ip Wing Lun	(appointed on 5 December 2006 as independent non- executive director, re-designated as non-executive director on 22 May 2007 and re-designated as executive director on 17 July 2007)
Mr. Fu Wing Kwok, Ewing	(re-designated as non-executive director on 12 July 2006)
Ms. Lo Wing Yan, Emmy	(resigned on 5 December 2006)
Mr. Liang Kwok Lim	(resigned on 28 February 2007)

During the year ended 31 March 2007, the Board had at all times at least 3 independent non-executive directors whose have appropriate professional qualifications or accounting or related financial management expertise.

BOARD OF DIRECTORS *(Continued)*

During the year ended 31 March 2007 Board meetings were held and the attendance records are as follow:

Name of Directors		Number of Board Meetings Attended	Attendance Rate
Mr. Yeung Ka Sing, Carson	(appointed on 20 July 2007)	N/A	N/A
Mr. Hui Ho Luek, Vico	(appointed on 20 June 2007)	N/A	N/A
Mr. Steven McManaman	(appointed on 2 July 2007)	N/A	N/A
Mr. Lee Yiu Tung	(appointed on 13 June 2006)	4	100%
Ms. Wong Po Ling, Pauline	(appointed on 29 May 2007)	N/A	N/A
Ms. Bessie Siu	(appointed on 25 April 2006)	4	100%
Mrs. Tsai Lai Wa, Jenny	(resigned on 21 August 2006)	0	0%
Mr. Peter Christopher Tashjian	(alternate to Mrs. Tsai Lai Wa, Jenny) (appointed on 11 July 2006 and resigned on 21 August 2006)	1	25%
Mr. Edmund Siu	(resigned on 12 July 2006)	1	25%
Ms. Mao Yue	(resigned on 28 February 2007)	2	50%
Mr. Fu Wing Kwok, Ewing	(Re-designated as non-executive director on 12 July 2006)	4	100%
Mr. Ip Wing Lun	(appointed on 5 December 2006 as independent non-executive director, re-designated as non-executive director on 22 May 2007 and re-designated as executive director on 17 July 2007)	2	75%
Mr. Chang Kin Man	(appointed on 13 June 2006)	3	75%
Mr. Zhou Han Ping	(appointed on 28 February 2007)	1	50%
Ms. Lo Wing Yan, Emmy	(resigned on 5 December 2006)	0	0%
Mr. Liang Kwok Lim	(resigned on 28 February 2007)	2	50%
Mr. Yip Man Ki	(appointed on 22 May 2007)	N/A	N/A

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company are appointed for an initial term of one year. All directors appointed to fill a casual vacancy are subject to re-election by shareholders at the next general meeting; and directors newly appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Article of Association of the Company.

NON-EXECUTIVE DIRECTORS *(Continued)*

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independency pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company established a nomination committee and the members of the nomination committee were comprised of Mr. Chang Kin Man, Mr. Zhou Han Ping and Mr. Yip Man Ki, they were appointed as the members of the nomination committee with effect from 26 July 2007. Ms. Bessie Siu (executive director), Mr. Lee Yiu Tung (executive director) and Mr. Fu Wing Kwok, Ewing (non-executive director) all resigned as nomination committee members on 26 July 2007. The nomination committee is responsible for reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the independent non-executive directors. The nomination committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge and personal integrity of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. The nomination committee is also responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election and where necessary, nominate and appoint directors to fill casual vacancies. The chairman may in conjunction with the other directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management.

According to the Article of Association of the Company, any director appointed by the Board as an additional director shall hold office only until the next annual general meeting, and the next general meeting if appointed to fill a casual vacancy, but is eligible for re-appointment by the shareholders.

In addition, pursuant to the Company's Article of Association, all directors are subject to re-election by shareholders at the annual general meeting at least once every three years on a rotational basis. Details of those directors who are retiring by rotation and seeking re-election at the forthcoming annual general meeting are set out in the section under "Report of the Directors" and headed "Directors".

APPOINTMENT AND RE-ELECTION OF DIRECTORS *(Continued)*

During the year ended 31 March 2007 the members of the nomination committee are:

Name of Directors	Number of Meetings Attended	Attendance Rate
Ms. Bessie Siu	4	100%
Mr. Fu Wing Kwok, Ewing	4	100%
Mr. Lee Yui Tung	4	100%

REMUNERATION OF DIRECTORS

The Company established a remuneration committee and the members of the nomination committee were comprised of Mr. Chang Kin Man, Mr. Zhou Han Ping and Mr. Yip Man Ki, they were appointed as the members of the nomination committee with effect from 26 July 2007. Ms. Bessie Siu (executive director), Mr. Lee Yiu Tung (executive director) and Mr. Fu Wing Kwok, Ewing (non-executive director) all resigned as nomination committee members on 26 July 2007.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee normally meets annually for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters. The remuneration committee shall consult the Board about these recommendations on remuneration policy and structure and remuneration packages.

The remuneration committee held four meeting during the year ended 31 March 2007 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the senior management for the year under review.

REMUNERATION OF DIRECTORS *(Continued)*

During the year ended 31 March 2007 the members of the remuneration committee are:

Name of Directors	Number of Meetings Attended	Attendance Rate
Ms. Bessie Siu	4	100%
Mr. Fu Wing Kwok, Ewing	4	100%
Mr. Lee Yiu Tung	4	100%

Emolument Policy

The directors are paid fees in line with market practice. The Group adopted the following main principles of determining the directors' remuneration:

— No individual should determine his or her own remuneration;

— Remuneration should be broadly aligned with companies with who the Group competes for human resources;

— Remuneration should reflect performance.

In addition to the basic salaries, a share option scheme is adopted for rewarding good performers as well as retaining talented staff for the continual operation and development of the Group.

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors (including at least one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the audit committee is a former partner of the Company's existing external auditors.

AUDIT COMMITTEE *(Continued)*

The main duties of the audit committee include the following:

— To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the Board;

— To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors;

— To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held 2 meetings during the year ended 31 March 2007 to review the financial results and reports, financial reporting and compliance procedures, and the re-appointment of the external auditors.

Name of Directors		Number of Meetings Attended	Attendance Rate
Mr. Chang Kin Man	(appointed on 13 June 2006)	2	100%
Mr. Fu Wing Kwok, Ewing	(Re-designated as non-executive director on 12 July 2006)	1	50%
Mr. Ip Wing Lun	(appointed on 5 December 2006 as independent non-executive director, re-designated as non-executive director on 22 May 2007 and re-designated as executive director on 17 July 2007)	1	50%
Mr. Yip Man Ki	(appointed on 22 May 2007)	N/A	N/A
Mr. Zhou Han Ping	(appointed on 28 February 2007)	1	50%
Ms. Lo Wing Yan, Emmy	(resigned on 5 December 2006)	0	0%
Mr. Liang Kwong Lim	(resigned on 28 February 2007)	1	50%

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board has not taken any different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 March 2007 has been reviewed by the audit committee.

AUDITORS' REMUNERATION

An amount of approximately HK$450,000 was charged to the Group's consolidated financial statement for the year ended 31 March 2007 for the auditing services provided by M. C. Ng & Co., the existing auditors who was appointed on 23 May 2007. There is no significant non-audit service assignment provided by M. C. Ng & Co. during the year.

During the year under review, no fee was payable to HLB Hodgson Impey Cheng who subsequently resigned as auditors of the Group on 23 May 2007, in respect of any audit or non-audit services.

INTERNAL CONTROLS

The Board had conducted a review of the effectiveness of the system of internal control of the Group. The Group's internal control system includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operation systems and achievement of the Group's objectives. The Board throughout the Group maintains and monitors the internal control systems on an ongoing basis.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge that it is their responsibility to prepare the accounts for each financial year which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern.

On behalf of the Board
Yeung Ka Sing, Carson
Chairman

Hong Kong, 26 July 2007

EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing, Carson aged 47, has accumulated many years of experience in international investments. He has been the Chairman of Hong Kong Rangers Football Club during 2005 to 2006. Mr. Yeung is a director of Universal Management Consultancy Limited and Universal Energy Resources Holdings Limited. He was appointed as an executive director and the Chairman of the Board of the Company on 20 July 2007.

Mr. Hui Ho Luek, Vico, aged 41, has accumulated over 20 years of experience in management of business trade and project investments. He was appointed as an executive director on 20 June 2007.

Mr. Steven McManaman, aged 35, has accumulated over 15 years of experience in football industry. He is a former English footballer of the 1990s and early 2000s, who played in a career spanning two of European Football's biggest club in Liverpool F.C. and Real Madrid F.C. Mr. McManaman has substantial experience in the management of football club and its continuing development. He was appointed as an executive director on 2 July 2007.

Mr. Ip Wing Lun, aged 39, is a Certified Public Accountant (Practising) in Hong Kong. Mr. Ip is currently an independent non-executive director of China Energy Development Holdings Limited (stock code 228) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Ip holds a Master degree of Business Administration and is a fellow member of Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Secretaries and Administrator, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. He has over 15 years of experience in auditing, taxation and provision of financial consultancy services of companies in Hong Kong and the PRC. He was re-designated as an executive director on 17 July 2007. On 5 December 2006, he was appointed as an independent non-executive director and re-designated as a non-executive director on 22 May 2007. He is a spouse of Ms. Wong Po Ling, Pauline who is the executive director of the Company.

Mr. Lee Yiu Tung, aged 44, is a registered architect in Hong Kong with extensive working experiences related to PRC property development, project management and development consultant services. Mr. Lee is a member of Royal Institute of British Architects and Hong Kong Institute of Architects. He holds a Bachelor of Arts in Architectural Studies with Honors, a Bachelor of Architecture and a Master of Science degree in Real Estate all from the University of Hong Kong. He also holds a qualification of Real Estate Planner recognized by the Ministry of Labor and Social Security, PRC. He was appointed as an executive director on 13 June 2006.

Ms. Wong Po Ling, Pauline, aged 29, is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She holds a Bachelor's Degree in Accountancy. Ms. Wong has 10 years of experience in financial accounting, management accounting and auditing, including working experience in other listed companies. She was appointed as an executive director on 29 May 2007. She is a spouse of Mr. Ip Wing Lun who is the executive director of the Company.

EXECUTIVE DIRECTORS *(Continued)*

Ms. Bessie Siu, aged 31, has several years of experience in marketing management, general administration works and trading business. Ms. Siu holds a bachelor degree in Science, Master of Marketing Management and Master of Business Administration. She was appointed as an executive director on 25 April 2006.

NON-EXECUTIVE DIRECTOR

Mr. Fu Wing Kwok, Ewing, aged 37, is the financial controller and the company secretary of Sino Union Petroleum & Chemical International Limited, which is listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Fu Wing Kwok is also responsible for the planning and supervising the implementation of the management information system. He holds a bachelor degree in science with major in accounting Bemidji State University, USA and is a member of both American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in auditing and accounting field. He was re-designated from an independent non-executive director to non-executive director with effect from 12 July 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Hau Ping, aged 37, graduated in Guangzhou Institute of Foreign Trade in 1994. Mr. Zhou was an Export & Import Manager of China National Packaging Import & Export Corporation) (中國包裝進出口總公司). Mr. Zhou was a Manager of South China Region of CIMC (China International Marine Container Holding Limited) (中國國際海運集裝箱 (集團) 股份有限公司). He had over 10 years experience in International Trade Settlement. Now, Mr. Zhou is Managing Director of Shenzhen Miao Fang Development Company Limited (深圳市苗方科技有限公司) since 2002. He was appointed as an independent non-executive director on 28 February 2007.

Mr. Yip Man Ki, aged 43, has had over 19 years sales, marketing and general management experience in both HK and PRC market. He had held various sales, marketing and management positions with several multinational corporations. Currently, he is the General Manager of Double A. He has successfully led the team to build up the market leadership of Double A in HK copy paper market. He was awarded Hong Kong Management Association Distinguished Marketer in 2006. Mr. Yip has obtained an EMBA degree and a BBA degree from The Chinese University of Hong Kong. He was appointed as an independent non-executive director on 22 May 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chang Kin Man, aged 43 is a certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chang holds a Bachelor of Science Degree in Economics and a Master's degree in Applied Finance. Mr. Chang has extensive experience in corporate finance and in accounting field. He worked for an international accounting firm and a number of public listed companies for more than 15 years. During the past three years, Mr. Chang acted as an independent non-executive director of Apex Capital Limited ("Apex") (Stock code 905) and Sunlink International Holdings Limited ("Sunlink") (Stock code 2336), companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He resigned from Apex on 24 May 2005 and resigned from Sunlink on 18 April 2007. He is currently an independent non-executive director of China Energy Development Holdings Limited (stock code 228) and China Water Industry Group Limited (stock code 1129), both are listed companies on the Main Board of the Stock Exchange. He was appointed as an independent non-executive director on 13 July 2006.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of Grandtop International Holdings Limited (hereinafter referred as to the "Company") and its subsidiaries (hereinafter collectively referred as to the "Group") for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are engaged in provision of apparel sourcing, sales support and apparel trading. The activities and other particulars of the subsidiaries are set out in note 9 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 35.

The state of affairs of the Group and the Company as at 31 March 2007 are set out in the consolidated and Company's balance sheets on page 33 and 34 respectively.

The directors do not recommend the payment of a final dividend nor transfer of any amount to reserves in respect of the year ended 31 March 2007 (2006: HK $ Nil).

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to the results by principal activities for the year ended 31 March 2007 is set out in note 6 to the financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 84.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company and of the Group during the year are set out in note 7 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 March 2007 are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 14 to the financial statements.

RETIREMENT BENEFIT SCHEME

Particulars of the retirement benefit scheme of the Group are set out in note 28 to the financial statements.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Yeung Ka Sing, Carson	(appointed on 20 July 2007)
Mr. Hui Ho Luek, Vico	(appointed on 20 June 2007)
Mr. Steven McManaman	(appointed on 2 July 2007)
Mr. Ip Wing Lun	(re-designated as executive director on 17 July 2007)
Mr. Lee Yiu Tung	(appointed on 13 June 2006)
Ms. Wong Po Ling, Pauline	(appointed on 29 May 2007)
Ms. Bessie Siu	(appointed on 25 April 2006)
Mr. Edmund Siu	(resigned on 12 July 2006)
Mrs. Tsai Lai Wa, Jenny	(resigned on 21 August 2006)
Ms. Mao Yue	(resigned on 28 February 2007)

DIRECTORS *(Continued)*

Alternate Director

Mr. Peter Christopher Tashjian
(Alternate to Mrs. Tsai Lai Wa, Jenny)
(appointed on 11 July 2006 and resigned on 21 August 2006)

Non-Executive Directors

Mr. Fu Wing Kwok, Ewing	(re-designated as non-executive director on 12 July 2006)
Mr. Ip Wing Lun	(re-designated as non-executive director on 22 May 2007 and re-designated as executive director on 17 July 2007)

Independent Non-Executive Directors

Mr. Chang Kin Man	(appointed on 13 June 2006)
Mr. Zhou Han Ping	(appointed on 28 February 2007)
Mr. Yip Man Ki	(appointed on 22 May 2007)
Mr. Fu Wing Kwok, Ewing	(re-designated as non-executive director on 12 July 2006)
Ms. Lo Wing Yan, Emmy	(resigned on 5 December 2006)
Mr. Ip Wing Lun	(appointed on 5 December 2006 as independent non-executive director, re-designated as non-executive director on 22 May 2007 and re-designated as executive director on 17 July 2007)
Mr. Liang Kwok Lim	(resigned on 28 February 2007)

In accordance with article 87(1) of the Company's articles of association, Mr. Yeung Ka Sing, Carson, Mr. Hui Ho Luek, Vico, Mr. Steven McManaman, Mr. Ip Wing Lun, Ms. Wong Po Ling, Pauline, Ms. Bessie Siu, Mr. Zhou Han Ping and Mr. Yip Man Ki will retire, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors ("INEDS") are subject to retirement by rotation in accordance with the Company's articles of association. The Company has received from each INED a confirmation of his/her independence pursuant to the new independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers the INEDS to be independent.

DIRECTORS' SERVICES CONTRACTS

None of the directors has a services contract with Company and of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2007, the interests and short positions of the directors in the share capital, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company

Shares of the Company of HK$0.01

Director	Capacity	Number of issued ordinary share held	Percentage of the issued share capital of the Company
Ms. Bessie Siu	Held by trust	96,000,000 (L) *(Note)*	25 %

(L): Long position

Note:

These shares were indirectly owned by a discretionary trust of which certain family members of Ms. Bessie Siu were eligible beneficiaries.

Other than disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as at 31 March 2007, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate. None of the directors, or their spouses or their children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Shares of the Company of HK$0.01 each

Name of shareholder	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding (%)
Huge Gain Development Limited *(Note 1)*	Beneficial Owner	96,000,000 (L)	25
Nerine Trust Company Limited *(Note 1)*	Held by controlled corporation	96,000,000 (L)	25
Premier Rise Investments Limited *(Note 2)*	Held by controlled corporation	64,000,000 (L)	16.67
Ms. Leung Choi Fan *(Note 3)*	Beneficial Owner	12,650,000 (L)	3.29

L: Long Position

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Shares of the Company of HK$0.01 each *(Continued)*

Notes:

(1) These shares are registered in the name of Huge Gain Development Limited ("Huge Gain"). The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited ("Nerine Trust"). Nerine Trust is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. All the units issued by SB Unit Trust were held by family members of Mr. Siu Ban, co-founder of the Group.

(2) Premier Rise Investments Limited, a company incorporated in the British Virgin Islands and is wholly owned by Mr. Hui Ho Luek, Vico.

(3) Ms. Leung Choi Fan is a spouse of Mr. Hui Ho Luek, Vico.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 56% (2006: 61%) of the Group's total purchases for the year and the purchases attributable to the Group's largest supplier were approximately 24% (2006: 20%) of the Group's total purchases for the year.

The Group's five largest customers accounted for approximately 27% (2006: 30%) of the group's total turnover for the year. In particular, the largest customer of the Group accounted for approximately 18% (2006: 15%) of the Group's total turnover for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers and suppliers.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year under review.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to date of this report, no director of the Company or any of its subsidiaries is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which the directors were appointed as directors to represent the interest of the Company and/or the Group.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save as disclosed below, the Company had no outstanding convertible securities, options, warrants or other rights as at Appendix 14. There were no exercises of convertible securities, options warrants or similar rights during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association 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 its existing shareholders.

SHARE OPTION SCHEME

On 22 October 2002, the Company had adopted a share option scheme (the "Scheme"). Under the terms of the Scheme, the Directors of the Company may, at their absolute discretion, invite full-time employees including executive directors of the Company representing up to maximum 30% of the total issued share capital of the Company from time to time. The details of share option scheme are set out in note 28 to the financial statements.

During the year under 31 March 2007, no share option was granted or agreed to be grantee under the Share Option Scheme.

SHARE OPTION SCHEME *(Continued)*

Subsequent to the balance sheet date and up to the date of this report, the Company granted a total of 24,000,000 options under the Share Option Scheme. Details of which are set out as follows:

Holder	Number of options	Exercise price per share HK$	Date of grant	Expiry date	Price of Company's share at date of grant HK$
Li Bo	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Suen Wei Ming	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Li Mei	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Xie Hai Bing	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Zhu Hong Wei	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Jiang Feng	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Li Chuan Zhong	960,000	0.50	7 June 2007	6 June 2017	0.49

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2007 with the Code of Best Practice as set out in Appendix 14 of the listing Rules.

The Company has received, from each of the independent non-executive directors, an annual confirmation of the independence pursuant to Rules 3.13 of the Listing Rules. The Company was of the view that all the independent non-executive directors of the Company met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

MODEL CODE FOR SECURITIES

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding the Model Code adopted by the Company.

AUDIT COMMITTEE

The Company has an Audit Committee which was established on 22 October 2002 in accordance with the requirements of the Code of Best Practices set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors of the Company.

During the year, the Audit Committee met with the Group's executive directors, senior management and the external auditors to consider and review the Group's financial statements, the nature and scope of audit reviews, and the effectiveness of the system of internal control and compliance. The Audit Committee held two meetings during the year. The Audit Committee had reviewed the unaudited interim accounts and the audited annual financial statements for the year ended 31 March 2007 and communicated with external auditors before recommending them to the Board of Directors for approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

M. C. Ng & Co. were appointed as the auditors of the Company in succession to HLB Hodgson Impey Cheng who resigned from office on 23 May 2007.

The financial statements have been audited by M.C. Ng & Co. who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Hui Ho Luek, Vico
Executive Director

Hong Kong, 26 July 2007

INDEPENDENT AUDITOR'S REPORT

M. C. Ng & Co.
Certified Public Accountants
Room 1502, Double Building
22 Stanley Street
Central, Hong Kong

TO THE SHAREHOLDERS OF
GRANDTOP INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Grandtop International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 83, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimate that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS OF OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

M. C. Ng & Co.
Certified Public Accountants (Practising)
Hong Kong, 26 July 2007

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	7	**4,594**	12,103
Leasehold land	8	**720**	5,757
Available-for-sale financial assets	10	**—**	2,695
		5,314	20,555
Current assets			
Inventories	11	**3,656**	8,951
Trade receivables	12	**5,613**	5,392
Prepayment, deposit and other receivables	13	**1,835**	4,038
Cash and cash equivalents		**6,757**	2,488
		17,861	20,869
Total assets		**23,175**	41,424
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	**3,840**	3,200
Reserves	15	**(3,895)**	51
		(55)	3,251
Non-current liabilities			
Interest-bearing bank borrowings, secured	16	**—**	5,689
Deferred tax liabilities	17	**167**	167
		167	5,856
Current liabilities			
Interest-bearing bank borrowings, secured	16	**—**	261
Trade and other payables	18	**3,066**	3,345
Amount due to a director	19	**—**	8,261
Tax payables		**19,997**	20,450
		23,063	32,317
Total liabilities		**23,230**	38,173
Total equity and liabilities		**23,175**	41,424
Net current liabilities		**(5,202)**	(11,448)
Total assets less current liabilities		**112**	9,107
Net (liabilities)/assets		**(55)**	3,251

Approved by the Board of Directors on 26 July 2007 and signed on its behalf by:

Mr. Hui Ho Luek, Vico
Executive Director

Mr. Lee Yiu Tung
Executive Director

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	*7*	**115**	145
Interests in subsidiaries	*9*	**6,274**	15,274
		6,389	15,419
Current assets			
Prepayments, deposits and other receivables	*13*	**105**	226
Cash and cash equivalents		**1,206**	31
		1,311	257
Total assets		**7,700**	15,676
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*14*	**3,840**	3,200
Reserves	*15*	**(3,326)**	731
		514	3,931
Current liabilities			
Amounts due to subsidiaries	*9*	**5,241**	8,484
Trade and other payables	*18*	**1,945**	469
Amount due to a director	*19*	**—**	2,792
		7,186	11,745
Total liabilities		**7,186**	11,745
Total equity and liabilities		**7,700**	15,676
Net current liabilities		**(5,875)**	(11,488)
Total assets less current liabilities		**514**	3,931
Net assets		**514**	3,931

Approved by the Board of Directors on 26 July 2007 and signed on its behalf by:

Mr. Hui Ho Luek, Vico
Executive Director

Mr. Lee Yiu Tung
Executive Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	6	**42,813**	48,428
Cost of sales		**(36,597)**	(38,892)
Gross profit		**6,216**	9,536
Other revenue	6	**3,683**	431
Selling expenses		**(1,924)**	(2,911)
Administrative expenses		**(16,745)**	(19,413)
Impairment of goodwill		**—**	(5,524)
Impairment loss on trade receivables		**(583)**	(4,685)
Impairment loss on prepayments, deposits and other receivables		**—**	(4,745)
Impairment loss on available-for-sale financial assets		**(1,320)**	(33,245)
Loss from operations	20	**(10,673)**	(60,556)
Finance costs	22	**(48)**	(149)
(Loss)/gain on disposal of subsidiaries		**(329)**	1,098
Loss before taxation		**(11,050)**	(59,607)
Taxation	23	**—**	(20,003)
Loss for the year		**(11,050)**	(79,610)
Attributable to:			
Equity holders of the Company		**(11,050)**	(79,610)
Dividends	25	**—**	—
Loss per share for loss attributable to the equity holders of the Company during the year			
Basic	26	**HK$0.034**	HK$0.249
Diluted		**N/A**	N/A

All of the Group's activities are classified as continuing operations.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Attributable to the equity holders of the Company						
	Share capital *HK$'000*	Contributed surplus *HK$'000*	Share premium *HK$'000*	Retained profit/ (Accumulated losses) *HK$'000*	Sub-total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 April 2005	3,200	(85)	25,146	54,600	82,861	2,262	85,123
Disposal of a subsidiary	—	—	—	—	—	(2,262)	(2,262)
Loss for the year	—	—	—	(79,610)	(79,610)	—	(79,610)
At 31 March 2006 and at 1 April 2006	3,200	(85)	25,146	(25,010)	3,251	—	3,251
Placing of shares	640	—	—	—	640	—	640
Share premium arising on placing of shares	—	—	7,104	—	7,104	—	7,104
Loss for the year	—	—	—	(11,050)	(11,050)	—	(11,050)
At 31 March 2007	**3,840**	**(85)**	**32,250**	**(36,060)**	**(55)**	**—**	**(55)**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 *HK$'000*	2006 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(11,050)**	(59,607)
Adjustments for:		
Depreciation	**1,226**	3,147
Amortisation of leasehold land	**450**	484
Impairment of property, plant and equipment	**907**	169
Provision on obsolete inventories	**—**	6,689
Written back of provision on obsolete inventories	**(2,597)**	—
Impairment loss on loan receivables	**—**	2,000
Impairment loss on investment deposits	**—**	2,745
Impairment of goodwill	**—**	5,524
Impairment loss on available-for-sale financial assets	**1,320**	33,245
Impairment loss on trade receivables	**583**	4,685
Reversal of impairment loss on trade receivables	**(3,659)**	—
Dividend income received from available-for-sale financial assets	**—**	(191)
Loss/(gain) on disposal of subsidiaries	**329**	(1,098)
Interest income	**(24)**	(240)
Finance cost	**48**	149
Operating cash flows before movements in working capital	**(12,467)**	(2,299)
Decrease/(increase) in inventories	**7,892**	(4,337)
Increase in trade receivables	**(211)**	(1,108)
Decrease in prepayment, deposit and other receivables	**5,582**	2,029
Decrease in trade and other payables	**(279)**	(3,060)
Cash generated from/(used in) in operations	**517**	(8,775)
Interest received	**24**	240
Profits tax paid	**(453)**	(727)
Net cash generated from/(used in) operating activities	**88**	(9,262)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(286)**	(723)
Dividend received from available-for-sales financial assets	**—**	191
Cash effect on disposal of subsidiaries	**105**	174
Net cash used in investing activities	**(181)**	(358)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 *HK$'000*	2006 *HK$'000*
FINANCING ACTIVITIES		
Proceeds from placing of shares	7,744	—
Repayment of mortgage loan	(46)	(250)
Advance from a director	—	8,261
Repayment of advance from a director	(3,288)	—
Finance costs	(48)	(149)
Net cash generated from financing activities	4,362	7,862
Net increase/(decrease) in cash and cash equivalents	4,269	(1,758)
Cash and cash equivalents at beginning of the year	2,488	4,246
Cash and cash equivalents at the end of the year		
Bank balance and cash	6,757	2,488

1. GENERAL

The Company is incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 3008, 30/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are engaged in provision of apparel trading, apparel sourcing and sale support services.

In the opinion of the directors, the holding company of the Company is Huge Gain Development Limited, which is incorporated in British Virgin Islands.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"), amendments of Hong Kong Accounting Standards ("HKASs") and interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective either for accounting periods beginning on or after 1 December 2005 or 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting period have been prepared and presented. Accordingly, no prior period adjustment has been required.

The HKICPA has issued the following new standards, amendments and interpretations that are not yet effective for the year ended 31 March 2007 and which have not been adopted in these consolidated financial statements. The Group has considered the following new standards, amendments and interpretations but does not expect they will have a material effect on the results of operations and financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — INT 8	Scope of HKFRS 2[3]
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) — INT 11	HKFRS 2 — Group and Treasury Share Transactions[6]
HK (IFRIC) — INT 12	Service Concession Arrangement[7]

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2009.
3. Effective for annual periods beginning on or after 1 May 2006.
4. Effective for annual periods beginning on or after 1 June 2006.
5. Effective for annual periods beginning on or after 1 November 2006.
6. Effective for annual periods beginning on or after 1 March 2007.
7. Effective for annual periods beginning on or after 1 January 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The preparation of financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

For the year ended 31 March 2007, the Group incurred a loss of HK$11,050,000 (2006: HK$79,610,000) and as of that date, the Group's current liabilities exceed its current assets by approximately HK$5,202,000 (2006: HK$11,448,000). Notwithstanding the adverse financial position of the Group as at 31 March 2007, the directors have prepared these financial statements on a going concern basis after considering the following future liquidity of the Group:

(i) On 23 April 2007, the Company entered into an underwriting agreement to raise approximately HK$38,400,000, before expenses, by issuing 192,000,000 offer shares at a price of HK$0.20 per offer share by way of open offer, on the basis of one offer share for every two shares held. The open offer had been completed on 7 June 2007; and

(ii) On 20 June 2007, the Company entered into a placing agreement to raise approximately HK$65,700,000, before expenses, by issuing 115,200,000 placing shares at a price of HK$0.57 each and completed on 11 July 2007.

(iii) On 13 July 2007, the Company entered into the placing agreement with the placing agent pursuant to which the Company appointed the placing agent as sole and exclusive placing agent to procure not fewer than six placees to subscribe for up to 138,240,000 warrants, on a fully underwritten basis, at the issue price of HK$0.10 per warrant. The net proceeds of approximately HK$13,200,000 has been raised by the issuance of warrants.

(b) Basis of consolidation

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

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operation policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received or receivables.

(c) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(d) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation difference on non-monetary items are included in the fair value reserve in equity.

iii. Group companies

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation current currency of the Group at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Buildings	2.5%
Leasehold improvements	20%
Office equipment	20%
Furniture, fixtures	20%
Motor vehicles	20%

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

(f) Leasehold land

Leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of leasehold land is amortised on a straight-line basis over the unexpired lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial assets

i. Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

iii. Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment loss on trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Cash and cash equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(m) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing and funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

(n) 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:

i. Revenue derived from the provision of sales support services is recognised when services are performed and upon each shipment made by the Group's Hong Kong garment and fashion manufacturing clients to the US;

ii. Service income is recognised when services are provided;

iii. Sales of merchandise are recognised when goods are delivered and title is passed;

iv. Interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

v. Dividend income from available-for-sale financial assets are recognised when the shareholder's right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(p) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits

i. Bonuses

The Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

ii. Retirement benefit obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries and other allowances and are charged to the income statement as they become payable in accordance with the 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 into the MPF Scheme.

iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

iv. Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

iv. Share-based compensation *(Continued)*

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Related parties transactions

A party is considered to be related the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit or the employees of the Group, or of any entity that is related party of the Group.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

Market risk

(a) Foreign exchange risk

The Group operates mainly in both the Macau and Hong Kong and majority of transactions are dominated in Hong Kong dollars and United States dollars. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. Hong Kong dollars are pegged to United States dollars and the foreign exchange exposure between them are considered limited.

(b) Cash flow and fair value interest rate risk

Borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk.

The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

(c) Price risk

The Group is not exposed to commodity price risk.

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of apparel products are made to customers with an appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for impairment of receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(b) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment that to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(c) Net realisable of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience and selling goods of similar nature. It could change significantly as a result of change in market condition. Management will reassess the estimations at the balance sheet date.

6. TURNOVER AND SEGMENT INFORMATION

Turnover

The Group's turnover comprised of the followings:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Apparel sourcing	**982**	4,524
Apparel trading	**41,831**	43,904
	42,813	48,428

Other Revenue

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Bank interest income	**24**	240
Dividend income received from available-for-sales financial assets	**—**	191
Reversal of provision for impairment loss on trade receivables	**3,659**	—
	3,683	431

Segment Information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting because this is more relevant to the Group in making operating and financial decisions.

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

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

Business Segments

The following table provides an analysis of the Group's revenues, results and certain assets, liabilities and expenditure information by business nature:

	Apparel Sourcing		Apparel Trading		Sales Support Services		Consolidated Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Sales to external customer	**982**	4,524	**41,831**	43,904	**—**	—	**42,813**	48,428
Segment results	**(2,773)**	(3,252)	**(3,457)**	(14,236)	**—**	—	**(6,230)**	(17,488)
Other revenue							**24**	431
Unallocated expenses							**(4,467)**	(43,499)
Loss from operation							**(10,673)**	(60,556)
(Loss)/Gain on disposal of subsidiaries							**(329)**	1,098
Finance costs							**(48)**	(149)
Loss before taxation							**(11,050)**	(59,607)
Taxation							**—**	(20,003)
Loss for the year							**(11,050)**	(79,610)
Loss from ordinary activities attributable to the equity holders of the Company							**(11,050)**	(79,610)

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business Segments *(Continued)*

	Apparel Sourcing		Apparel Trading		Sales Support Services		Consolidated Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets								
Segment assets	**5,525**	3,654	**13,656**	25,524	**—**	52	**19,181**	29,230
Unallocated assets							**3,994**	12,194
Total assets							**23,175**	41,424
Liabilities								
Segment liabilities	**269**	2,821	**894**	9,317	**19,918**	—	**21,081**	12,138
Unallocated liabilities							**2,149**	26,035
Total liabilities							**23,230**	38,173
Other segment information:								
Capital expenditure	**—**	—	**260**	439	**—**	—	**260**	439
Unallocated capital expenditures							**26**	284
							286	723
Depreciation and amortisation	**365**	722	**676**	1,824	**—**	426	**1,041**	2,972
Unallocated depreciation and amortisation							**635**	659
							1,676	3,631
Impairment loss on property, plant and equipment	**909**	—	**—**	—	**—**	169	**909**	169
Other non-cash expenses	**583**	3,595	**—**	11,241	**—**	169	**583**	15,005
Unallocated other non-cash expenses							**1,320**	43,514
							1,903	58,519

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical Segments

	Segment Revenue		Segment Results	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**3,291**	13,202	**(2,574)**	(4,653)
Russia	**—**	1,052	**—**	(253)
South Korea	**—**	1,545	**—**	(1,541)
Panama	**—**	1,006	**—**	(562)
USA	**—**	1,421	**—**	(1,428)
PRC	**19,290**	8,954	**(937)**	(1,062)
Macau	**20,232**	21,248	**(2,719)**	(7,989)
	42,813	48,428	**(6,230)**	(17,488)

	Segment Assets		Segment Liabilities	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**16,272**	31,692	**21,316**	29,995
Macau	**6,903**	9,732	**1,914**	8,178
	23,175	41,424	**23,230**	38,173

7. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 April 2005	7,015	7,806	2,248	1,827	753	19,649
Additions	—	383	284	56	—	723
Disposal of a subsidiary	—	(2,043)	(859)	(836)	—	(3,738)
At 31 March 2006 and at 1 April 2006	7,015	6,146	1,673	1,047	753	16,634
Additions	—	162	83	41	—	286
Disposals	—	—	—	—	(753)	(753)
Disposal of subsidiaries	(4,915)	(1,277)	(299)	—	—	(6,491)
At 31 March 2007	2,100	5,031	1,457	1,088	—	9,676
Accumulated depreciation:						
At 1 April 2005	403	626	719	669	753	3,170
Charge for the year	175	2,065	522	385	—	3,147
Disposal of a subsidiary	—	(1,192)	(382)	(381)	—	(1,955)
At 31 March 2006 and at 1 April 2006	578	1,499	859	673	753	4,362
Charge for the year	75	899	178	74	—	1,226
Disposals	—	—	—	—	(753)	(753)
Disposals of subsidiaries	(382)	(362)	(87)	—	—	(831)
At 31 March 2007	271	2,036	950	747	—	4,004
Impairment:						
At 1 April 2005	—	—	—	—	—	—
Charge for the year	—	—	49	120	—	169
At 31 March 2006 and at 1 April 2006	—	—	49	120	—	169
Charge for the year	—	909	—	—	—	909
At 31 March 2007	—	909	49	120	—	1,078
Net book value:						
At 31 March 2007	**1,829**	**2,086**	**458**	**221**	**—**	**4,594**
At 31 March 2006	6,437	4,647	765	254	—	12,103

Notes:

(i) All the Group's buildings are located in Hong Kong under long-term leases.

(ii) As at 31 March 2007, the Group's buildings with carrying amount of HK$Nil (2006: HK$4,612,000) were pledged to secure a mortgage loan granted to the Group *(Note 16)*.

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

The Company

	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
Cost:			
At 1 April 2005, 31 March 2006 and at 1 April 2006	157	127	284
Additions	—	26	26
At 31 March 2007	157	153	310
Accumulated depreciation:			
At 1 April 2005	31	25	56
Charge for the year	52	31	83
At 31 March 2006 and at 1 April 2006	83	56	139
Charge for the year	31	25	56
At 31 March 2007	114	81	195
Net book value:			
At 31 March 2007	43	72	115
At 31 March 2006	74	71	145

8. LEASEHOLD LAND

The Group

	2007 *HK$'000*	2006 *HK$'000*
Cost:		
At 1 April 2006/2005	**7,115**	7,115
Disposal of subsidiaries	**(4,765)**	—
At 31 March 2007/2006	**2,350**	7,115
Accumulated amortisation:		
At 1 April 2006/2005	**1,358**	874
Charge for the year	**450**	484
Disposal of subsidiaries	**(178)**	—
As at 31 March 2007/2006	**1,630**	1,358
Net Book Value:		
At 31 March 2007/2006	**720**	5,757

The Group's interests in leasehold land represented prepaid operating lease payments in respect of leasehold land in Hong Kong under long-term lease. Its net book value is analysed as follows:

	2007 *HK$'000*	2006 *HK$'000*
Land held in Hong Kong on:		
Long-term leases	**720**	5,757

Note: As at 31 March 2007, the Group's leasehold land with carrying amount of HK$Nil (2006: HK$4,606,000) were pledged to secure a mortgage loan granted to the Group *(Note 16)*.

9. INTERESTS IN SUBSIDIARIES

The Company

	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**22,316**	22,316
Less: Impairment loss on interests in subsidiaries	**(16,042)**	(7,042)
	6,274	15,274
Amounts due from subsidiaries	**—**	22,641
Less: Impairment loss on amounts due from subsidiaries	**—**	(22,641)
	—	—
	6,274	15,274

Name of subsidiary	Place of incorporation/ registration	Particular of issued and paid up capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Directly held					
Sun Ace Group Limited	British Virgin Islands ("BVI")	US$1 Ordinary	**100%**	100%	Investment holding
Fanlink Far East Limited	BVI	US$1 Ordinary	**100%**	100%	Investment holding
Indirectly held					
Sun Tai Hing Garment Making Company Limited	Hong Kong	HK$115,000 Ordinary	**100%**	100%	Provision of sales support services
East Step Trading Limited	Hong Kong	HK$1 Ordinary	**100%**	100%	Apparel trading (Hong Kong based)
Gala Consultants Group Limited	BVI	US$1 Ordinary	**100%**	100%	Apparel sourcing and trading (Overseas based)

9. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

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

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and recoverable/(repayable) on demand.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	2007	2006
	HK$'000	*HK$'000*
Held for non-trading purpose:		
Listed equity securities — Hong Kong, at cost	**1,320**	31,260
Listed equity securities — outside Hong Kong, at cost	**—**	4,680
	1,320	35,940
Impairment loss on available-for-sale financial assets	**(1,320)**	(33,245)
	—	2,695

11. INVENTORIES

The Group

	2007	2006
	HK$'000	*HK$'000*
Finished goods	**7,748**	15,640
Less: Provision of obsolete inventories	**(4,092)**	(6,689)
	3,656	8,951

Note: At the balance sheet date, all inventories were carried at cost.

12. TRADE RECEIVABLES

The Group

The Group's general credit terms granted to its customers ranged from 0-60 days (2006: 0-60 days). The following is an aged analysis of the trade receivables at the balance sheet date.

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**4,291**	3,586
Between 31 days to 60 days	**1,636**	1,806
Between 61 days to 1 year	**1,295**	4,685
	7,222	10,077
Less: Provision for impairment loss on trade receivables	**(1,609)**	(4,685)
	5,613	5,392

Note: The carrying amount of trade receivables approximately to their fair value.

13. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayment	**1,536**	2,096	**105**	226
Rental and utility deposits	**299**	1,910	**—**	—
Other receivables	**—**	32	**—**	—
	1,835	4,038	**105**	226

Note: The fair value of the Group's prepayment, deposit and other receivables as at 31 March 2007 approximately to the corresponding carrying amount.

14. SHARE CAPITAL

The Company

Ordinary shares of HK$0.01 each	**Number of shares** *'000*	**Nominal value** *HK$'000*
Authorised:		
31 March 2007/2006	10,000,000	100,000
Issued and fully paid:		
At 1 April 2005, 31 March 2006 and at 1 April 2006	320,000	3,200
Placing of shares *(Note i)*	64,000	640
At 31 March 2007	384,000	3,840

14. SHARE CAPITAL *(Continued)*

The Company *(Continued)*

Notes:

(i) On 6 February 2007, the Company entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue an aggregate of 64,000,000 ordinary shares at a price of HK$0.121 each. The placing of shares had been completed on 5 March 2007.

(ii) All new shares issued ranked pari passu with the then existing shares in all respects.

15. RESERVES

The Group

	Contributed surplus HK$'000 (Note i)	Share premium HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2005	(85)	25,146	54,600	79,661
Loss for the year	—	—	(79,610)	(79,610)
At 31 March 2006 and At 1 April 2006	(85)	25,146	(25,010)	51
Share premium arising on placing of shares	—	7,104	—	7,104
Loss for the year	—	—	(11,050)	(11,050)
At 31 March 2007	**(85)**	**32,250**	**(36,060)**	**(3,895)**

15. RESERVES *(Continued)*

The Company

	Contributed surplus *HK$'000* *(Note ii)*	Share premium *HK$'000*	Retained profits/ (Accumulated losses) *HK$'000*	Total *HK$'000*
At 1 April 2005	22,116	25,146	(5,004)	42,258
Net loss for the year	—	—	(41,527)	(41,527)
At 31 March 2006 and At 1 April 2006	22,116	25,146	(46,531)	731
Share premium arising on placing of shares	—	7,104	—	7,104
Loss for the year	—	—	(11,161)	(11,161)
At 31 March 2007	**22,116**	**32,250**	**(57,692)**	**(3,326)**

Notes:

(i) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation on 22 October 2002 over the nominal value of the Company's shares issued in exchange thereof.

(ii) The contributed surplus of the Company represents the difference between the fair value of the shares of Sun Ace Group Limited acquired pursuant to the Group Reorganisation on 22 October 2002 over the nominal value of the Company's share issued in exchange thereof.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

(iii) In the opinion of the directors, the Company did not have any reserves available for distribution to shareholders at 31 March 2007 and 2006.

16. INTEREST-BEARING BANK BORROWINGS — SECURED

The Group

	2007	2006
	HK$'000	HK$'000
Mortgage loan repayable:		
Within one year or on demand	—	261
In the second year	—	264
In the third to fifth years, inclusive	—	827
Beyond five years	—	4,598
	—	5,950
Portion classified as current liabilities	—	(261)
Long term portion	—	5,689

Notes:

(i) As at 31 March 2007, the Group does not have any interest-bearing bank borrowings.

(ii) As at 31 March 2006, the Group's interest-bearing bank borrowings was secured by the followings:

(a) Legal charge over the leasehold land and buildings of the Group with an aggregate net book value of approximately HK$9,218,000 and

(b) Personal guarantee executed by a director of the Company.

17. DEFERRED TAXATION

The Group

The movement of deferred tax liabilities arising from accelerated tax depreciation is as follows:

	2007	2006
	HK$'000	*HK$'000*
At 1 April 2006/2005	**167**	167
Deferred tax charged for the year	**—**	—
At 31 March 2007/2006	**167**	167

At 31 March 2007, there was no significant unrecognised deferred tax liabilities (2006: HK$ Nil) for taxes that would have been payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liabilities to additional tax should amounts be remitted.

18. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables				
Within 90 days	**727**	1,628	**—**	—
Within 91 days to 180 days	**190**	727	**—**	—
	917	2,355	**—**	—
Accrued expenses due within 30 days or on demand	**2,149**	990	**1,945**	469
	3,066	3,345	**1,945**	469

Note: The carrying amount of trade and other payables approximately to their fair value.

19. AMOUNT DUE TO A DIRECTOR

Amount due to a director is unsecured, non-interest bearing and repayable on demand. The amount was secured by the corporate guarantee executed by the Company. The corporate guarantee had been released upon the full settlement of the amount due to a director during the year.

20. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Amortisation of leasehold land	**450**	484
Auditors' remuneration	**450**	660
Cost of goods sold	**36,597**	38,892
Depreciation	**1,226**	3,147
Employee benefit expenses *(Note 21)*	**5,577**	3,172
Impairment loss on loan receivables	**—**	2,000
Impairment loss on investment deposits	**—**	2,745
Operating lease rental in respect of rental premises	**1,113**	1,163
Provision for obsolete inventories	**—**	6,689

21. EMPLOYEE BENEFIT EXPENSES

The Group

(a) Employee benefit expenses are analysed as follows:

	2007 HK$'000	2006 HK$'000
Wages, salaries and allowance	5,329	2,981
Retirement benefit contributions	248	191
	5,577	3,172

(b) Directors' emoluments

	Fee		Salaries, bonus and other benefits		Pension scheme contributions		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Executive directors								
Lee Yiu Tung (i)	—	—	90	—	—	—	90	—
Bessie Siu (ii)	—	—	160	—	8	—	168	—
Mao Yue (iii)	—	—	—	240	—	12	—	252
Tsai Lai Wa, Jenny (iv)	—	—	—	—	—	—	—	—
Edmund Siu (v)	—	—	—	120	—	6	—	126
	—	—	250	360	8	18	258	378
Non-executive director								
Fu Wing Kwok, Ewing (vi)	—	—	—	—	—	—	—	—
Alternate director								
Peter Christopher Tashjian (vii)	—	—	—	—	—	—	—	—
Independent non-executive directors								
Chang Kin Man (viii)	—	—	90	—	—	—	90	—
Ip Wing Lun (ix)	—	—	30	—	—	—	30	—
Zhou Han Ping (x)	—	—	10	—	—	—	10	—
Fu Wing Kwok, Ewing	—	100	—	—	—	—	—	100
Lo Wing Yan, Emmy (xi)	—	100	—	—	—	—	—	100
Liang Kwong Lim (xii)	—	100	—	—	—	—	—	100
	—	300	130	—	—	—	130	300
	—	300	380	360	8	18	388	678

21. EMPLOYEE BENEFIT EXPENSES *(Continued)*

The Group *(Continued)*

(b) Directors' emoluments (Continued)

Notes:

(i) Mr. Lee Yiu Tung (appointed on 13 June 2006)

(ii) Ms. Bessie Siu (appointed on 25 April 2006)

(iii) Ms. Mao Yue (resigned on 28 February 2007)

(iv) Ms. Tsai Lai Wa, Jenny (resigned on 21 August 2006)

(v) Mr. Edmund Siu (resigned on 12 July 2006)

(vi) Mr. Fu Wing Kwok, Ewing (re-designated from independent non-executive director to non-executive director on 12 July 2006)

(vii) Mr. Peter Christopher Tashjian (appointed on 11 July 2006 and resigned on 21 August 2006)

(viii) Mr. Chang Kin Man (appointed on 13 June 2006)

(ix) Mr. Ip Wing Lun (appointed on 5 December 2006)

(x) Mr. Zhou Han Ping (appointed on 28 February 2007)

(xi) Ms. Lo Wing Yan, Emmy (resigned on 5 December 2006)

(xii) Mr. Liang Kwok Lim (resigned on 28 February 2007)

The remuneration of all of the directors fell within the nil to HK$500,000 band for the two years ended 31 March 2007 and 2006.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2006: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2006: four) individuals were follows:

	2007	2006
	HK$'000	*HK$'000*
Wages, salaries and allowance	**629**	580
Retirement benefit contributions	**34**	21
	663	601

The emoluments on each of the remaining four (2006: four) highest paid individuals fell within the nil to HK$500,000 band for the two years ended 31 March 2007 and 2006.

22. FINANCE COSTS

The Group

	2007 HK$'000	2006 HK$'000
Bank charges	7	15
Mortgage loan interest wholly repayable over five years	41	134
	48	149

23. TAXATION

The Group

	2007 HK$'000	2006 HK$'000
Current — Hong Kong		
Charge for the year — Hong Kong	—	85
Charge for the year — overseas	—	—
Provision for estimated assessments of tax liabilities	—	19,918
Total tax charge for the year	—	20,003

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries either incurred taxation loss or had no assessable profit for the year (2006: 17.5%).

23. TAXATION *(Continued)*

For the year ended 31 March 2006, the Hong Kong Inland Revenue Department ("IRD") issued certain estimated assessments for tax liabilities of aggregate approximately HK$19,918,000 to a subsidiary on the non-taxable claim of non-Hong Kong sourced income for the years of assessment of 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003 and 2003/2004 ("Estimated Assessments"). The concerned subsidiary has formally filed objections to the IRD against the Estimated Assessments and the concerned subsidiary is still in the process of answering queries from the IRD. The directors of the Company considered that full provision on the tax liabilities of the Estimated Assessments was required as the result of the objections regarding the Estimated Assessments is uncertain. For the year ended 31 March 2007, no further estimated assessment has been issued by the IRD against the subsidiary of the Company.

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong		Overseas		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before taxation	**(7,587)**	(49,322)	**(3,463)**	(10,285)	**(11,050)**	(59,607)
Tax at domestic tax rate	**(1,328)**	(8,631)	**(519)**	(1,543)	**(1,847)**	(10,174)
Tax effect of expenses not deductable for tax purpose	**604**	8,791	**101**	1,063	**705**	9,854
Tax effect of income not taxable for tax purpose	**—**	(75)	**(549)**	—	**(549)**	(75)
Provision for tax liabilities	**—**	19,918	**—**	—	**—**	19,918
Tax effect of unrecognised tax losses	**724**	—	**967**	480	**1,691**	480
Tax charge for the year	**—**	20,003	**—**	—	**—**	20,003

24. LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The Group's consolidated loss attributable to shareholders was approximately HK$11,050,000 (2006: HK$79,610,000) of which net loss of approximately HK$11,161,000 (2006: HK$41,527,000) was dealt with in the financial statements of the Company.

25. DIVIDENDS

The directors do not recommend the payment of any dividend in respect for the year ended 31 March 2007 (2006: Nil).

26. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to the Company's equity holders of approximately HK$11,050,000 (2006: HK$79,610,000) and on weighted average number of shares of approximately 329,468,493 (2006: 320,000,000) shares in issue during the year.

There were no potential shares in existence for the year ended 31 March 2007 and 2006, and, accordingly, no diluted loss per share has been presented.

27. DISPOSAL OF SUBSIDIARIES

The Group

	2007 *HK$'000*	2006 *HK$'000*
Net assets disposed of:		
Property, plant and equipment	**5,660**	1,783
Leasehold land	**4,587**	—
Available-for-sales financial assets	**1,376**	—
Prepayments, deposits and other receivables	**154**	59
Cash and cash equivalent	**15**	26
Interest bearing bank borrowings	**(5,950)**	—
Trade and other payables	**(5,393)**	(504)
Minority interests	**—**	(2,262)
	449	(898)
(Loss)/Gain on disposal of subsidiaries	**(329)**	1,098
Consideration satisfied by cash	**120**	200

27. DISPOSAL OF SUBSIDIARIES *(Continued)*

Analysis of the net cash inflow in respect of the disposal of subsidiaries is set out below:

	2007	2006
	HK$'000	*HK$'000*
Cash consideration received	**120**	200
Cash and cash equivalent disposed of	**(15)**	(26)
Net cash inflow in respect of the disposal of subsidiaries	**105**	174

The subsidiaries disposed of during both years ended 31 March 2007 and 2006 did not contribute significantly to the Group's cashflow and did not have material impact on the Group's results as a whole.

28. EMPLOYEE BENEFITS

Retirement Benefit Scheme

The Group joined the MPF Scheme for its employees whose employed in Hong Kong after 1 December 2000. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

28. EMPLOYEE BENEFITS *(Continued)*

Share Option Scheme

The Company's existing share option scheme ("Share Option Scheme") became effective on 22 October 2002. The major terms of the Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules on the Stock Exchange, are set out as follows:

(a) Purpose

The purpose of Share Option Scheme is providing incentives rewards to full-time employees of the Group in recognition of their contribution to the Group.

(b) Participants of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Directors may, at its absolute discretion, invite full-time employees of the Group including executive directors of the Company or any of its subsidiaries ("Eligible Persons") to take up options to subscribe for Shares.

(c) Total number of shares available for issue under the Share Option Scheme

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option scheme and any other scheme of the Company must not exceed 30% of the total issued share capital of the Company from time to time.

(d) Maximum entitlement of each Eligible Persons

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each Eligible Person shall not exceed 1% of the total issued share capital of the Company in issue unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant Eligible Person and its associates abstain from voting on the resolution.

28. EMPLOYEE BENEFITS *(Continued)*

(e) Time of acceptance and exercise of the Share Option Scheme

An offer of the grant of an option shall be made to Eligible Persons by letter in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the Adoption Date or after the Share Option Scheme has been terminated.

(f) Amount payable upon acceptance of the option

A non-refundable nominal consideration of $1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Person together with the said consideration of $1.00 is received by the Company.

(g) Basis of determining the exercise price of the option

The exercise price for Shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of:

(i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) nominal value of Shares.

28. EMPLOYEE BENEFITS *(Continued)*

(h) Period of the Share Option Scheme

Unless otherwise provided in the terms of the Share Option Scheme, an option may be exercised at any time during the period commencing on the expiry of six calendar months after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the Board to each grantee, but in any event not later than 10 years from the date of grant of option but subject to the early termination of the Share Option Scheme.

(i) Details of option granted

During the year under review and up the date of this report, no share option was granted or agreed to be grantee under the Share Option Scheme.

Subsequent to the balance sheet date, on 7 June 2007, the Company granted a total of 24,000,000 options under the Share Option Scheme. Details of which are set out as follows:

Holder	Number of options	Exercise price per share *HK$*	Date of grant	Expiry date	Price of Company's share at date of grant *HK$*
Li Bo	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Suen Wei Ming	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Li Mei	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Xie Hai Bing	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Zhu Hong Wei	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Jiang Feng	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Li Chuan Zhong	960,000	0.50	7 June 2007	6 June 2017	0.49

29. OPERATING LEASE COMMITMENT

The Group

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	319	842
In the second to fifth years, inclusive	288	1,096
	607	1,938

30. CONTINGENT LIABILITIES

A writ was filed against the Company in respect of a claim for reimbursement of expenses paid on behalf of the Company and its subsidiary amounting to approximately HK$3 million on 26 July 2006. The Company was not aware of such alleged payments and had instructed lawyers to deal with the matter. The Board of directors is in the opinion the claim is not justifiable and without merit.

Save as disclosed above, the Group did not have any material contingent liabilities as at 31 March 2007 and 2006.

31. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group had significant transaction with the following related parties, together with balances with them at the respective balance sheet date, details of which are as follows:

(i) Balances with related parties

	2007	2006
	HK$'000	*HK$'000*
Amount due to a director	**—**	8,261

The amount due to a director was secured by the corporate guarantee provided by the Company. The corporate guarantee had been released following on the full settlement of the balance to the director during the year.

(ii) Key management personnel

Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in Note 21 to the financial statements, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other short-term benefits	**380**	660
Pension scheme contributable	**8**	18
	388	678

32. SUBSEQUENT EVENTS

(i) On 23 April 2007, the Company entered into an underwriting agreement to raise approximately HK$38,400,000, before expenses, by issuing 192,000,000 offer shares at a price of HK$0.20 per offer share by way of open offer, on the basis of one offer share for every two shares held. The open offer had been completed on 7 June 2007;

(ii) On 20 June 2007, the Company entered into a placing agreement to raise approximately HK$65,600,000, before expenses, by issuing 115,200,000 placing shares at a price of HK$0.57 each and completed on 11 July 2007;

(iii) On 27 June 2007, the Company entered into the binding Memorandum of Understanding with Mr. David Sullivan, Mr. David Gold, Mr. Ralph Gold, Ms. Karren Brady and Mr. Roger Bannister (collectively the "Vendor") whereby the Vendors have granted the Company the right to purchase an aggregate 29.90% of the issued capital of Birmingham City Plc. from them or their nominees for an aggregate price of approximately HK$233,220,000. The transaction on the acquisition of 29.90% issued capital of Birmingham City Plc. has been completed on 16 July 2007; and

(iv) On 13 July 2007, the Company entered into the placing agreement with the placing agent pursuant to which the Company appointed the placing agent as sole and exclusive placing agent to procure not fewer than six placees to subscribe for up to 138,240,000 warrants, on a fully underwritten basis, at the issue price of HK$0.10 per warrant. The net proceeds of approximately HK$13,200,000 has been raised by the issuance of warrants.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26 July 2007.

FIVE YEARS FINANCIAL SUMMARY

31 March 2007

	For the year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	**42,813**	48,428	101,974	119,410	34,769
(Loss)/profit before taxation	**(11,050)**	(59,607)	11,174	29,016	24,803
Taxation	**—**	(20,003)	(1,293)	(781)	(119)
	(11,050)	(79,610)	9,881	28,235	24,684
Attributable to					
Equity holders of the Company	**(11,050)**	(79,610)	9,881	28,235	24,684
Minority interests	**—**	—	(7,721)	(4,738)	—
Net (loss)/profit for the year	**(11,050)**	(79,610)	2,160	23,497	24,684
Dividend	**—**	—	—	—	—

Assets and liabilities and minority interests

	At at 31 March				
	2007	2006	2005	2004	2003
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Total assets	**23,175**	41,424	99,573	99,170	64,900
Total liabilities	**(23,230)**	(38,173)	(14,450)	(9,228)	(7,695)
Minority interests	**—**	—	(2,262)	(9,240)	—
Total equity	**(55)**	3,251	82,861	80,702	57,205