Annual Report **2007**

ANNUAL REPORT

利來控股有限公司
LeRoi Holdings Limited

(Incorporated in Cayman Islands with limited liability)
(Stock Code : 0221)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hung Man Sing *(Chairman)*
Mr. Chan Chun Hong, Thomas *(Managing Director)*
Mr. Ng Cheuk Fan, Keith
Mr. Cheung Wai Kai

Independent Non-executive Directors

Mr. Sin Ka Man
Mr. Yuen Kam Ho, George
Mr. Cheung Sau Wah, Joseph

AUDIT COMMITTEE

Mr. Sin Ka Man *(Chairman)*
Mr. Yuen Kam Ho, George
Mr. Cheung Sau Wah, Joseph

REMUNERATION COMMITTEE

Mr. Cheung Sau Wah, Joseph *(Chairman)*
Mr. Sin Ka Man
Mr. Yuen Kam Ho, George
Mr. Chan Chun Hong, Thomas
Mr. Cheung Wai Kai

COMPANY SECRETARY

Mr. Ng Cheuk Fan, Keith

QUALIFIED ACCOUNTANT

Mr. Ng Cheuk Fan, Keith

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road, Kowloon Bay
Kowloon
Hong Kong

LEGAL ADVISERS

Mallesons Stephen Jaques
Kirkpatrick & Lockhart Preston Gates Ellis

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE ADDRESS

http://finance.thestandard.com.hk/en/0221leroi

STOCK CODE

0221

Chairman's Statement

On behalf of the Board of Directors (the "Board") of LeRoi Holdings Limited (the "Company"), I hereby present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007.

The Group is engaged in the trading of fashion apparel to the market in The People's Republic of China (the "PRC"). As at 31 March 2007, the Group has a total of 61 distribution outlets as compared to 67 last year.

In January 2007, Wai Yuen Tong Medicine Holdings Limited ("WYT") through a subsidiary acquired 25.32% equity interest in the Company. On 27 January 2006, the Company also entered into a subscription agreement pursuant to which the Company agreed to issue and WYT agreed to subscribe for the convertible notes of a maximum aggregate principal amount of HK$10 million under a specific mandate, HK$3 million of which was issued in January 2007 and the outstanding HK$7 million will be issued at the request of WYT.

There have been some changes in the composition of the Board since completion of the Subscription Agreement. I would like to welcome the new members of the Board and look forward to working with them as a team to enhance the performance of the Group.

On 26 January 2007, the Group through its indirect wholly-owned subsidiaries entered into two sales and purchase agreements pursuant to which the Group agreed to acquire certain business and a number of properties. Completion of the acquisitions took place on 23 March 2007. The Board considers that after completion of the acquisitions, the Group has diversified its businesses to wet market retailing and property investment.

After more than two years of suspension of the trading of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 February 2004, the Company published an announcement on 28 December 2006 to clarify certain allegations in newspaper articles. Resumption of the trading in the Company's shares on the Stock Exchange took place on 29 December 2006.

Finally, on behalf of the Board, I would like to extend my appreciation to our management and employees for their dedication and efforts during the year. I would also like to thank our business associates, clients, suppliers, and shareholders for their continuous support of and reliance on the Group during the year.

Hung Man Sing
Chairman
Hong Kong, 18 July 2007

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$32.8 million, representing a decrease of approximately 58.4% as compared to the corresponding period last year. Gross profit was approximately HK$11.1 million, representing a decrease of approximately 45.4%. However, there was an increase in profit margin from approximately 25.7% to 33.8%. This was mainly due to the change in selling arrangement with Group's franchisees from a trading basis to a consignment basis.

The Group's loss attributable to shareholders for the year ended 31 March 2007 was approximately HK$43.8 million. The Group's loss for the year under review was mainly due to provisions of approximately HK$10.4 million and HK$18.8 million for impairment of trade receivables and obsolete inventories respectively. Moreover, the Group also had to provide for impairment of goodwill of approximately HK$1.5 million and impairment of property, plant and equipment of approximately HK$0.7 million.

The Company entered into a subscription agreement on 27 January 2006 (as detailed in the Company's announcement dated 24 April 2006) pursuant to which the Company had agreed to issue and WYT had agreed to subscribe for convertible notes in a maximum aggregate principal amount of HK$10 million. The subscription was partially completed in January 2007 and the Company issued convertible notes for an aggregate principal amount of HK$3 million, the net proceeds of which have been used as the Group's general working capital. WYT has the right to call for the issue of the balance of the convertible notes.

On 27 January 2006, WYT and Taco Holdings Limited ("Taco") (the then controlling shareholder of the Company) entered into a share purchase agreement pursuant to which WYT had conditionally agreed to purchase from Taco 205 million shares in the Company for a total consideration of HK$37.5 million. Upon completion in January 2007, WYT through its subsidiary was interested in approximately 25.32% of the issued capital of the Company. Pursuant to the share purchase agreement, Taco provided a sum of HK$18.75 million in the form of a shareholder's loan to the Company. WYT also made a shareholder's loan of HK$20 million to the Company. The shareholders' loans have almost been used up for acquisition, general working capital and future business development.

Operation and Business Review

During the year under review, there were 22 franchisees who joined our fashion apparel. On the other hand, there were 29 franchisees who dropped out. As a result, the total number of the Company's franchisees as at 31 March 2007 decreased from 58 to 51. The relatively high turnover in franchisees has affected the overall performance of the Group.

As at 31 March 2007, the Group's subsidiary in Shenzhen operated 10 counters in department stores in the PRC as compared to 9 counters last year. The Group has been targeting locations that will widen the distribution network in the PRC.

As for the new businesses acquired in March 2007 (i.e. wet market retailing and property investment), only negligible contribution was reflected in the financial year under review.

Future Plans and Prospects

Looking forward, the Group will keep its investment and operating strategies under review on an ongoing basis.

As a result of the completion of the acquisition of certain business and a number of properties in March 2007, the Group has diversified into new areas of business which are wet market retailing and property investment. The acquisition will strengthen the revenue stream of the Group and reduce the risk in reliance on a single line of business. The Group is looking at the possibility of increasing the number of stalls for the pork business in different districts in Hong Kong. On the other hand, the properties acquired will provide a steady income and cash flow stream.

Liquidity and Financial Resources

As at 31 March 2007, the Group had net current assets of approximately HK$18,365,000 (31 March 2006: approximately HK$32,939,000) and cash and bank deposits of approximately HK$21,499,000 (31 March 2006: approximately HK$4,606,000). The Group did not raise any bank borrowing during the year but obtained shareholders' loan of principal amount of HK$38,750,000 and issued convertible notes for an aggregate sum of HK$3,000,000.

For the year ended 31 March 2007, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed. As at 31 March 2007, the Group was free from any mortgage charge on the Group's assets.

EMPLOYEES

The employees are remunerated based on their work performance, experiences and the prevailing industry practice. The Group operates a Mandatory Provident Fund Scheme for those employees who are eligible to participate.

Management Discussion and Analysis

SHARE OPTION SCHEME

On 8 October 2002, the Company adopted a share option scheme which is in compliance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (as amended) (the "Listing Rules"). As at 31 March 2007, no share options have been granted under the share option scheme.

CONTINGENT LIABILITIES

During the year, the Hong Kong Inland Revenue Department ("IRD") issued two estimated assessments demanded for tax payment of approximately HK$4,193,000 and HK$800,000 to two wholly-owned subsidiaries of the Group for the year of assessment of 2000/01. Both estimated tax assessments were held over unconditionally by the IRD. No provision is required at this stage in respect of the Group's exposure to the above matters.

Apart from above, the Group does not have any material contingent liabilities as at 31 March 2007.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. HUNG Man Sing, aged 53, is the Chairman of the Company. Mr. Hung has over 20 years of experience in the garment industry and is the product & logistic consultant of Shenzhen Apparel Research & Development Center and Guangdong Association of Garment and Garment Article Industry. Mr. Hung is also a director or a consultant of a number of fashion related companies. Mr. Hung is responsible for the Group's overall strategy formulation. Mr. Hung was appointed as an independent non-executive director of the Company on 22 March 2005 and re-designated as executive director and chairman of the Company on 6 May 2005.

Mr. CHAN Chun Hong, Thomas, aged 43, was appointed as the Managing Director of the Company in January 2007. He is responsible for managing the corporate matters and overall management and supervision of the Group. He graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He is also an executive director of Wang On Group Limited and WYT and an independent non-executive director of Shanghai Prime Machinery Company Limited, all are listed companies in Hong Kong.

Mr. NG Cheuk Fan, Keith, aged 46, who graduated from the University of Alberta, Canada with a Bachelor degree in commerce, majoring in accounting. He also received a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng is member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Ng has over 20 years of accounting experience and previously served as an executive director of Fujian Group Limited between April 1996 and July 2001 and Fu Hui Holdings Limited between May 1999 and September 2001, and is currently an executive director of China Conservational Power Holdings Limited, all being companies listed on the Stock Exchange.

Mr. CHEUNG Wai Kai, aged 51, was appointed as an Executive Director of the Company in January 2007. He is responsible for general management and business management of the Group in which he has extensive experience.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SIN Ka Man, aged 40, joined the Company as an Independent Non-executive Director in January 2007. He is also the chairman of the audit committee (the "Audit Committee") of the Company and a member of the remuneration committee (the "Remuneration Committee") of the Company. He has over 16 years of professional experience in auditing, accounting and financial management for both private and listed corporations. Mr. Sin is an associate member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia. Mr. Sin holds a bachelor degree in Social Sciences from the University of Hong Kong, a master degree in Finance from the University of Strathclyde, the United Kingdom and a master degree in accounting from Curtin University of Technology, Australia. Mr. Sin is also an independent non-executive director of Chinese People Gas Holdings Company Limited, a company listed on the Stock Exchange, and Sino Haijing Holdings Limited, a company listed on The Growth Enterprise Market of the Stock Exchange.

Biographical Details of Directors

Mr. YUEN Kam Ho, George, aged 63, joined the Company as an Independent Non-executive Director in March 2007. He is also a member of each of the Audit Committee and Remuneration Committee. Mr. Yuen is currently an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited and Tradelink Electronic Commerce Limited, both are the Hong Kong listed companies. He graduated from The University of Hong Kong with a Bachelor's Degree (Honors) in Economics and Political Science. Mr. Yuen has attended post-graduate studies in marketing management at the International Marketing Institute, Cambridge, Massachusetts, U.S.A. and has completed the Hong Kong Administrators Course (commissioned by the Hong Kong Government) in public administration and international relations at Oxford University, the United Kingdom, and the International Executive Program in INSEAD, France respectively. In June 2003, Mr. Yuen was admitted to the Leadership in Development Program organised by Kennedy School of Government, Harvard University. In June 2004, Standford University, California, U.S.A. had also invited Mr. Yuen to participate in its "Corporate Governance" forum and in early 2006, the University awarded a fellowship to Mr. Yuen as a non-profit leader at its Centre for Social Innovation. Mr. Yuen was Chief Executive of The Better Hong Kong Foundation from September 1997 to August 2006. Prior to his joining the Foundation, he was the Assistant Director/Acting Deputy Director of the Information Services Department of the Hong Kong Government. Mr. Yuen plays an active role in organising significant business conferences in Hong Kong and also takes part in numerous government and community activities, including being a board member of the East-west Strategic Development Commission. Mr. Yuen is currently a member of The Chinese People's Political Consultative Conference, Guangxi Autonomous Region, China, an adviser of the Institute of Finance and Trade Economics, Chinese Academy of Social Sciences, an adviser of The Shanghai Academy of Social Sciences, China, and an adviser of The Board of International Investment of Guangzhou Municipality, China. Mr. Yuen is a Fellow of the Hong Kong Institute of Directors, a member of the British Institute of Management and the Institute of Marketing, U.K., and was also commended by the U.S. President, George W. Bush for his efforts in support of coalition's campaign against global terrorism.

Mr. CHEUNG Sau Wah, Joseph, aged 56, joined the Company as an Independent Non-executive Director in March 2007. He is also a member of the Audit Committee and the chairman of the Remuneration Committee. Mr. Cheung served in Hong Kong Police Force over 35 years and retired in November 2006 as a Senior Superintendent of Police. He was awarded a Police Meritorious Service Medal (PMSM) in 2003 by the Chief Executive of the Hong Kong SAR for his consistent outstanding performance in the Hong Kong Police Force.

Corporate Governance Report

The Board is committed to maintaining and ensuring high standards of corporate governance and continuously reviews and improves the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

The Company adopted a code on corporate governance practices set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules and had complied with the code provisions set out in the CG Code throughout the year ended 31 March 2007 except for the following deviation:

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "Chief Executive Officer" and Mr. Hung Man Sing was also responsible for overseeing the general operation of the Group. With a view to maintaining an effective segregation of duties in relation to overall strategic planning and day-to-day management of the Group's business, Mr. Chan Chun Hong, Thomas was appointed as managing director of the Group in early January 2007.

The Company will continue to seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company (the "Directors"), the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board currently comprises four executive Directors and three independent non-executive Directors. The Directors during the year and up to the date of this annual report were:

Executive Directors:

Mr. Hung Man Sing	*(Chairman)*
Mr. Chan Chun Hong, Thomas	(*Managing Director* – appointed on 5 January 2007)
Mr. Ng Cheuk Fan, Keith	
Mr. Cheung Wai Kai	(appointed on 5 January 2007)
Ms. Yeung Sau Han, Agnes	(resigned on 5 January 2007)
Mr. Lim Kwok Choi	(resigned on 5 January 2007)

Corporate Governance Report

Independent non-executive Directors:

Mr. Sin Ka Man	(appointed on 24 January 2007)
Mr. Yuen Kam Ho, George	(appointed on 20 March 2007)
Mr. Cheung Sau Wah, Joseph	(appointed on 21 March 2007)
Mr. Lok Shing Kwan, Sunny	(resigned on 24 January 2007)
Mr. Chiang Chi Kin, Stephen	(resigned on 24 January 2007)
Mr. Chan Kin Sang	(resigned on 24 January 2007)

The biographical details of the Directors are set out on page 7 to 8 of this annual report. The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the independent non-executive Directors at Board meetings facilitate the maintenance of good corporate governance practices. At least one of the independent non-executive Directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rule 3.10(1) and (2) of the Listing Rules. A balanced composition of executive and non-executive Directors also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

All existing independent non-executive Directors are free from any business or other relationship with the Company. The Company has received from each of the existing independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the three independent non-executive Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the internal control systems of the Group. Apart from these regular meetings, Board meetings are also held as and when necessary to consider major issues. At least 14 days notice for each regular meeting is given to all Directors. Agendas and accompanying Board papers are sent to all Directors before the date of a Board meeting to ensure that Directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to Directors for their review and comment while final version of the said minutes, when duly signed, are sent to all members of the Board for their records. All such minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

During the year, four Board meetings were held and the attendance of each Director are as follows:

Directors		Attendance
Mr. Hung Man Sing		4/4
Mr. Chan Chun Hong, Thomas	(appointed on 5 January 2007)	1/1
Mr. Ng Cheuk Fan, Keith		4/4
Mr. Cheung Wai Kai	(appointed on 5 January 2007)	1/1
Ms. Yeung Sau Han, Agnes	(resigned on 5 January 2007)	3/4
Mr. Lim Kwok Choi	(resigned on 5 January 2007)	3/4
Mr. Lok Shing Kwan, Sunny	(resigned on 24 January 2007)	3/4
Mr. Chiang Chi Kin, Stephen	(resigned on 24 January 2007)	3/4
Mr. Chan Kin Sang	(resigned on 24 January 2007)	3/4
Mr. Sin Ka Man	(appointed on 24 January 2007)	1/1
Mr. Yuen Kam Ho, George	(appointed on 20 March 2007)	1/1
Mr. Cheung Sau Wah, Joseph	(appointed on 21 March 2007)	1/1

ACCOUNTABILITY AND INTERNAL CONTROL

The Board acknowledges its responsibility for the preparation of the financial statements that give a true and fair view of the Group's financial position and are in accordance with applicable accounting standards and statutory rules and guidelines. The financial statements are prepared on a going concern basis.

The Board has overall responsibility for the establishment, maintenance and review of the Company's internal control systems. The Group maintains an effective internal control systems and will conduct review on the effectiveness of the system at least annually.

ROLES OF CHAIRMAN AND MANAGING DIRECTOR

As at the date of this annual report, the chairman is Mr. Hung Man Sing and the Managing Director is Mr. Chan Chun Hong, Thomas. There is a clear division of responsibilities between the Chairman and Managing Director, in that the Chairman bears primary responsibility for the functioning of the Board by ensuring its effective operation, while the Managing Director bears executive responsibility for the Company's business and the management of the day-to-day operations of the Company.

BOARD COMMITTEE

The Board has established two committees, including Audit Committee and Remuneration Committee, each of which has the specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary of the Company, are circulated to all Board members. Each committee is required to report to the Board on its decision and recommendations where appropriate. The Board has not established a nomination committee since the Board is of the view that the selection and recommendation of candidates for directorship of the Company should conducted by the Board as a whole.

Corporate Governance Report

REMUNERATION COMMITTEE

The Board set up the Remuneration Committee in July 2005 with specific written terms of reference which deal with its authority and duties. During the year, Mr. Lok Shing Kwan, Sunny, Mr. Chiang Chi Kin, Stephen, and Mr. Chan Kin Sang resigned as independent non-executive Directors on 24 January 2007 and ceased to be the members of Remuneration Committee. It currently consists of five members, including Mr. Cheung Sau Wah, Joseph (Chairman), Mr. Yuen Kam Ho, George, Mr. Sin Ka Man, Mr. Chan Chun Hong, Thomas and Mr. Cheung Wai Kai, a majority of whom are independent non-executive Directors.

The Remuneration Committee's role is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance while due having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates may be involved in making any decisions as to his own remuneration.

The Remuneration Committee shall meet at least once a year. During the year, one Remuneration Committee meeting was held to review the remuneration packages of all Directors and senior management and the attendance of each member is set out as follows:

Members of the Remuneration Committee	**Attendance**
Mr. Cheung Sau Wah, Joseph *(Chairman)*	1/1
Mr. Yuen Kam Ho, George	1/1
Mr. Sin Ka Man	1/1
Mr. Chan Chun Hong, Thomas	1/1
Mr. Cheung Wai Kai	1/1

The remuneration payable to the Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same was reviewed by the Remuneration Committee. Details of the Directors' remuneration are set out in note 9 to the financial statements.

AUDIT COMMITTEE

The role of Audit Committee is to review the Group's financial reporting, internal controls and to make relevant recommendations to the Board. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

Following completion of the share purchase agreement entered into between Taco and WYT on 3 January 2007, Mr. Lok Shing Kwan, Sunny, Mr. Chiang Chi Kin, Stephen and Mr. Chan Kin Sang have resigned as independent non-executive Directors and also ceased to be members of the Audit Committee on 24 January 2007. On 24 January 2007, Mr. Sin Ka Man was appointed as independent non-executive Director and acted as the chairman of the Audit Committee. On 20 and 21 March 2007, Mr. Yuen Kam Ho, George and Mr. Cheung Sau Wah, Joseph were appointed as independent non-executive Directors and acted as the members of the Audit Committee.

The Audit Committee shall meet at least twice a year. Two Audit Committee meetings were held during the year and the attendance of each member is set out as follows:

Members of the Audit Committee	**Attendance**
Mr. Lok Shing Kwan, Sunny *(Chairman)*	2/2
Mr. Chiang Chi Kin, Stephen	2/2
Mr. Chan Kin Sang	2/2

The existing members of the Audit Committee had reviewed with the management and the external auditors the financial statements for the year ended 31 March 2007.

EXTERNAL AUDITORS' REMUNERATION

During the year and up to the date of this report, the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng ("HLB"), are set out as follows:

Services rendered for the Group	**Fees paid/payable to HLB**
	HK$'000
Audit services	700

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with the shareholders of the Company. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim reports, annual reports, announcements and circulars.

The Company also acknowledges that general meetings are valuable forums for the Board to communicate directly with the shareholders and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

Corporate Governance Report

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on page 22 to 23 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Report of the Directors

The Directors present their report and the consolidated audited financial statements of the Company and of 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 principal subsidiaries comprise the trading of ladies' fashion apparel to the markets in the PRC, retail of pork business and property holding.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 26.

The Directors do not recommend the payment of a dividend in respect of the year.

SUBSIDIARIES AND ASSOCIATE

Details of the Company's principal subsidiaries and associate at 31 March 2007 are set out in notes 20 and 18 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

There were no movements in either the Company's authorised or issued share capital during the year. No share options were granted and outstanding during the year. Convertible notes for an aggregate principal amount of HK$3 million attaching rights to convert into the shares of the Company at an initial conversion price of HK$0.20 per share were issued by the Company on 24 January 2007.

Details in the share capital, share options and convertible notes of the Company during the year, together with the reasons therefor, are set out in notes 28, 29 and 27 to the financial statements, respectively.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the Company's audited financial statements and reclassified as appropriate, prepared on the basis set out therein is set out on pages 79 to 80 of this annual report. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

During the year, investment properties with an aggregate net book value of approximately HK$11.7 million were acquired. The Group's investment properties as at 31 March 2007 were revalued by an independent firm of professional valuers on an open market value basis.

Details of these investment properties of the Group during the year are set out in note 16 to the financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company had no reserves available for cash distribution and distribution in specie computed in accordance with the Companies Law (2002 Revision) (Cap. 22) of the Cayman Islands and the articles of association of the Company.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

Executive Directors:	
Mr. Hung Man Sing	
Mr. Ng Cheuk Fan, Keith	
Mr. Chan Chun Hong, Thomas	(appointed on 5 January 2007)
Mr. Cheung Wai Kai	(appointed on 5 January 2007)
Ms. Yeung Sau Han, Agnes	(resigned on 5 January 2007)
Mr. Lim Kwok Choi	(resigned on 5 January 2007)
Independent non-executive Directors:	
Mr. Sin Ka Man	(appointed on 24 January 2007)
Mr. Yuen Kam Ho, George	(appointed on 20 March 2007)
Mr. Cheung Sau Wah, Joseph	(appointed on 21 March 2007)
Mr. Lok Shing Kwan, Sunny	(resigned on 24 January 2007)
Mr. Chiang Chi Kin, Stephen	(resigned on 24 January 2007)
Mr. Chan Kin Sang	(resigned on 24 January 2007)

In accordance with articles 86(3) and 87 of the articles of association of the Company, Messrs. Hung Man Sing, Chan Chun Hong, Thomas, Cheung Wai Kai, Sin Ka Man, Yuen Kam Ho, George and Cheung Sau Wah, Joseph shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation). All of the independent non-executive Directors are appointed for specific terms and are subject to retirement by rotation in accordance with the Company's articles of association.

The Company has received annual confirmations of independence from all independent non-executive Directors and as at the date of this annual report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 7 to 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All the Directors proposed for re-election at the forthcoming annual general meeting, except for Mr. Hung Man Sing, have entered into service contracts with the Company for a specific terms.

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

DIRECTORS' INTERESTS IN CONTRACTS

None of the Director had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2007, none of the Directors, chief executives, nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 pursuant to the Model Code.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 29 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2007, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders (other than Directors) had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company:

Name of shareholders	**Number of shares or underlying shares (long position)**	**Approximate percentage of the Company's total issued share capital** *(%)*
Taco Holdings Limited *(Note 1)*	219,024,000	27.05
So Chi Hiu *(Note 1)*	219,024,000	27.05
Kingston Finance Limited *(Note 2)*	218,976,000	27.05
Chu Yuet Wah *(Note 2)*	218,976,000	27.05
Ma Siu Fong *(Note 2)*	218,976,000	27.05
Gain Better Investments Limited *(Note 3)*	255,000,000	31.50
Wai Yuen Tong Medicine Holdings Limited ("WYT") *(Note 3)*	255,000,000	31.50
Wang On Group Limited ("WOG") *(Note 3)*	255,000,000	31.50
PAM(L) Equities Asian Growth (Investment Fund)	74,560,000	9.21

Notes:

1. The sole beneficial owner of Taco Holdings Limited is Mr. So Chi Hiu.

2. Kingston Finance Limited has security interest in the shares and Ms. Chu Yuet Wah and Ms. Ma Siu Fong own 51% and 49% interest in Kingston Finance Limited respectively.

3. WOG owns 49% in WYT and Gain Better Investments Limited is wholly owned by WYT, and 50,000,000 shares out of 255,000,000 shares be issuable upon conversion of the convertible notes held by Gain Better Investments Limited.

Save as disclosed above, no person, other than the Directors, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year under review, the Company and certain of its wholly-owned subsidiaries had the following transactions which constituted connected transactions under Chapter 14A of the Listing Rules, with WOG, the substantial and controlling shareholder of WYT, or any of its wholly-owned subsidiaries:–

(a) on 26 January 2007, All Access Limited, a wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement with Wang On Commercial Management Limited, a wholly-owned subsidiary of WOG, for the sale and purchase of the entire share capital of Greatest Wealth Limited ("GWL"), which operated 10 retail stalls selling fresh pork meat and related products in the wet markets owned by WOG, and the assignment of the related shareholder's loan;

(b) on 26 January 2007, Garwell Investments Limited, a wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement with Suitbest Investments Limited, a wholly-owned subsidiary of WOG, for the sale and purchase of the entire share capital of Allied Victory Investment Limited, which held certain properties located in Kowloon, and the assignment of the related shareholder's loan; and

(c) GWL, a wholly-owned subsidiary of the Company upon completion of transactions (a) and (b) above, leased certain retail spaces from Majorluck Limited and Wang On Majorluck Limited, the wholly-owned subsidiaries of WOG, for the operation of its pork retailing business.

(d) Gain Better Investments Limited ("Gain Better"), a wholly-owned subsidiary of WYT, entered into a loan agreement with the Company on 26 January 2007 under which Gain Better agreed to grant a loan facility of up to HK$35,000,000 carries interest at a rate of 6.5% with maturity date on 26 January 2010 to the Company. As at 31 March 2007, a loan of HK$20,000,000 was drawn down by the Company.

(e) During the year, Taco has undertaken to provide a HK$18,750,000 loan facility carries interest at a rate of 6.5% with maturity date on 4 January 2010 to the Company. As at 31 March 2007, the Company has obtained a loan of HK$18,750,000 from Taco.

(f) During the year, the Company issued 6.5% convertible notes to Gain Better with a principal amount of HK$3,000,000.

The independent non-executive Directors confirm that the transactions have been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available to independent third parties and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

Report of the Directors

EMOLUMENT POLICY

The employees are remunerated based on their work performance, work and professional experiences and the prevailing industry practice. The Group operates a Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance for those employees who are eligible to participate in the Scheme.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 29 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 50% of the total sales for the year. In addition, the Group made 95% of its total purchases from its largest supplier.

At no time during the year did a Director or any of their associates or any shareholder of the Company, which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and suppliers.

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, no Directors were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (as defined in the Listing Rules), other than those businesses of which the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 9 to 14 to this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the financial year under review and up to the date of this annual report.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 36 to the financial statements.

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company on 27 June 2005 to fill the casual vacancy left by the resignation of Ernst & Young which resigned on 30 May 2005.

The consolidated financial statements for the year ended 31 March 2007 have been audited by Messrs. HLB Hodgson Impey Cheng, who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Hung Man Sing
Chairman

Hong Kong, 18 July 2007

Report of the Auditors

國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
LEROI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of LeRoi Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 77, which comprise the consolidated and company balance sheets as at 31 March 2007, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 18 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	6	**32,769**	78,833
Cost of sales		**(21,707)**	(58,577)
Gross profit		**11,062**	20,256
Other revenue	6	**115**	66
Other income		**1,712**	443
Selling and distribution expenses		**(9,392)**	(12,258)
Administrative expenses		**(14,002)**	(15,111)
Impairment of goodwill		**(1,515)**	–
Impairment of property, plant and equipment		**(701)**	(663)
Impairment of interests in an associate		**(265)**	(105)
Provision for impairment of trade receivables		**(10,405)**	(11,328)
Provision for obsolete inventories		**(18,770)**	(20,740)
Operating loss	7	**(42,161)**	(39,440)
Finance costs	8	**(446)**	(6)
Share of (loss)/profit of an associate		**(1,962)**	68
Loss before taxation		**(44,569)**	(39,378)
Taxation	11	**(6)**	(32)
Loss for the year		**(44,575)**	(39,410)
Loss for the year attributable to:			
– Equity holders of the Company		**(43,814)**	(39,410)
– Minority interest		**(761)**	–
		(44,575)	(39,410)
Loss per share for loss attributable to equity holders of the Company	14		
– Basic		**(HK5.41 cents)**	(HK4.87 cents)
– Diluted		**N/A**	N/A

All of the Group's activities are classed as continuing.

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

Consolidated Balance Sheet

At 31 March 2007

	Notes	**2007**	2006
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	*15*	**258**	2,947
Investment properties	*16*	**11,720**	–
Goodwill	*17*	**5,052**	–
Interests in an associate	*18*	**6,487**	8,976
		23,517	11,923
Current assets			
Inventories	*21*	**20,517**	24,929
Trade receivables	*22*	**12,497**	37,274
Prepayments, deposits and other receivables		**2,152**	856
Time deposits		**14,280**	–
Cash and bank balances	*23*	**7,219**	4,606
		56,665	67,665
Less: Current liabilities			
Trade payables	*24*	**3,055**	1,808
Accruals and other payables		**4,806**	3,183
Obligations under finance lease			
– due within one year	*25*	**–**	61
Tax payable		**30,439**	29,674
		38,300	34,726
Net current assets		**18,365**	32,939
Total assets less current liabilities		**41,882**	44,862
Less: Non-current liabilities			
Interest-bearing loans from shareholders	*26*	**36,859**	–
Convertible notes	*27*	**2,856**	–
		39,715	–
Net assets		**2,167**	44,862
Capital and reserves			
Share capital	*28*	**8,096**	8,096
Reserves	*30(a)*	**(5,929)**	36,766
Total equity attributable to equity holders of the Company		**2,167**	44,862
Minority interest		**–**	–
Total equity		**2,167**	44,862

Approved by the Board of Directors on 18 July 2007 and signed on its behalf by:

Chan Chun Hong, Thomas
Director

Ng Cheuk Fan, Keith
Director

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

Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Interests in subsidiaries	20	–	22,684
Current assets			
Prepayments		**357**	156
Amounts due from subsidiaries	20	**29,129**	25,515
Time deposits		**13,945**	–
Cash and bank balances		**193**	18
		43,624	25,689
Less: Current liabilities			
Accruals and other payables		**1,797**	1,320
Amount due to a subsidiary	20	–	2,198
		1,797	3,518
Net current assets		**41,827**	22,171
Total assets less current liabilities		**41,827**	44,855
Less: Non-current liabilities			
Interest-bearing loans from shareholders	26	**36,859**	–
Convertible notes	27	**2,856**	–
		39,715	–
Net assets		**2,112**	44,855
Capital and reserves			
Share capital	28	**8,096**	8,096
Reserves	30(b)	**(5,984)**	36,759
Total equity attributable to equity holders of the Company		**2,112**	44,855

Approved by the Board of Directors on 18 July 2007 and signed on its behalf by:

Chan Chun Hong, Thomas
Director

Ng Cheuk Fan, Keith
Director

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 equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange fluctuation reserve *HK$'000*	Convertible notes equity reserve *HK$'000*	Retained profits *HK$'000*	Capital reserve *HK$'000*	Total *HK$000*	Minority interest *HK$000*	Total equity *HK$000*
At 1 April 2005	8,096	9,827	–	–	65,178	–	83,101	–	83,101
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	1,171	–	–	–	1,171	–	1,171
Net loss for the year	–	–	–	–	(39,410)	–	(39,410)	–	(39,410)
At 31 March 2006 and at 1 April 2006	8,096	9,827	1,171	–	25,768	–	44,862	–	44,862
Cash received in excess of fair value of interest-bearing loans from shareholders	–	–	–	–	–	1,966	1,966	–	1,966
Equity component of convertible notes *(Note 27)*	–	–	–	152	–	–	152	–	152
Increase in minority interest resulting from deemed acquisition of a subsidiary	–	–	–	–	–	–	–	761	761
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	(999)	–	–	–	(999)	–	(999)
Net loss for the year	–	–	–	–	(43,814)	–	(43,814)	(761)	(44,575)
At 31 March 2007	**8,096**	**9,827**	**172**	**152**	**(18,046)**	**1,966**	**2,167**	**–**	**2,167**
Reserves retained by:									
Company and subsidiaries		9,827	172	152	(16,161)	1,966	(4,044)	–	(4,044)
Associate		–	–	–	(1,885)	–	(1,885)	–	(1,885)
At 31 March 2007		**9,827**	**172**	**152**	**(18,046)**	**1,966**	**(5,929)**	**–**	**(5,929)**
Company and subsidiaries		9,827	1,171	–	25,691	–	36,689	–	36,689
Associate		–	–	–	77	–	77	–	77
At 31 March 2006		9,827	1,171	–	25,768	–	36,766	–	36,766

Notes: (1) The share premium account of the Group includes (i) shares issued at premium; and (ii) the difference between the nominal value of the aggregate issued share capital of the subsidiaries acquired, together with the share premium arising on the acquisition of the provision of administrative services and the trading of fashion apparel pursuant to the group reorganisation upon the listing of the Company, over the nominal value of the Company's share issued in exchange therefor.

(2) Capital reserve account of the Group represents the amount of cash received in excess of fair value of interest-bearing loans from shareholders during the year ended 31 March 2007. For details, please refer to Note 26 to the financial statements.

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

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(44,569)**	(39,378)
Adjustments for:			
Depreciation		**2,661**	4,347
Loss on disposal of property, plant and equipment		**23**	68
Share of loss/(profit) of an associate		**1,962**	(68)
Interest income	*6*	**(103)**	(22)
Fair value gain in respect of investment properties	*16*	**(75)**	–
Finance costs	*8*	**446**	6
Negative goodwill		**(26)**	–
Reversal of provision for impairment of trade receivables		**(41)**	–
Reversal of provision for obsolete inventories		**(693)**	–
Provision for impairment of trade receivables		**10,405**	11,328
Impairment of interests in an associate		**265**	105
Provision for obsolete inventories		**18,770**	20,740
Provision for amount due from a minority shareholder		**390**	–
Impairment of property, plant and equipment		**701**	663
Impairment of goodwill		**1,515**	–
Exchange difference		**(972)**	524
Operating loss before working capital changes		**(9,341)**	(1,687)
Increase in inventories		**(10,749)**	(4,341)
Decrease/(increase) in trade receivables		**12,517**	(3,547)
Increase in prepayments, deposits and other receivables		**(304)**	(76)
Increase in trade payables		**603**	146
Increase in accruals and other payables		**1,170**	1,334
Cash used in operations		**(6,104)**	(8,171)
Interest paid		**(1)**	(6)
Net cash outflow from operating activities		**(6,105)**	(8,177)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**103**	22
Purchase of property, plant and equipment		**(435)**	(3,728)
Purchase of investment properties		**(1,105)**	–
Acquisition of subsidiaries	*31*	**(17,089)**	–
Loan advanced to an associate		**–**	(2)
Repayment of loan advanced to an associate		**262**	–
Net cash outflow from investing activities		**(18,264)**	(3,708)

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(61)**	(102)
Proceeds from issue of convertible notes	*27*	**3,000**	–
Interest-bearing loans from shareholders	*26*	**38,750**	–
Dividend paid to a subsidiary's ex-shareholders		**(633)**	–
Net cash inflow/(outflow) from financing activities		**41,056**	(102)
Net increase/(decrease) in cash and cash equivalents		**16,687**	(11,987)
Cash and cash equivalents at the beginning of the year		**4,606**	16,593
Effects of exchange rate changes on the balance of cash held in foreign currencies		**206**	–
Cash and cash equivalents at the end of the year		**21,499**	4,606
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**7,219**	4,606
Time deposits		**14,280**	–
		21,499	4,606

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

Notes to Financial Statements

31 March 2007

1. CORPORATE INFORMATION

LeRoi Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal place of business of the Company in Hong Kong is located at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the trading of fashion apparel, the sale of fresh pork meat and related produce, and the property holding. The business of the sale of fresh pork meat and related produce, and the property holding were commenced on 23 March 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 3 to the financial statements.

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

Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretations has had no material impact on these financial statements.

HKFRS 1 & 6 (Amendments)	First-time adoption of Hong Kong Financial Reporting Standards and Exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HKAS 19 (Amendment)	Employee benefits
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts
HK (IFRIC) – Int 4	Determining whether an arrangement contains a lease
HK (IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC) – Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK (IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies

Impact of new and revised HKFRSs not yet effective

		Effective for accounting period beginning on or after
HKFRS 7	Financial instruments: Disclosures	1 January 2007
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (Amendment)	Presentation of financial statements: Capital disclosures	1 January 2007
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HK (IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK (IFRIC) – Int 9	Reassessment of embedded derivatives	1 June 2006
HK (IFRIC) – Int 10	Interim financial reporting and impairment	1 November 2006
Revised guidance on implementing HKFRS 4 – Insurance		1 January 2007
HK (IFRIC) – Int 11	HKFRS 2, Group and treasury share transactions	1 March 2007
HK (IFRIC) – Int 12	Service concession arrangements	1 January 2008

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

Impact of new and revised HKFRSs not yet effective *(Continued)*

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

The management is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards. The directors of the Company so far has concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

A summary of significant accounting policies adopted by the Group in the preparation of the financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention except for investment properties which have been carried at fair value as explained below.

Basis of consolidation

The consolidated financial statements included the financial statements of the Company and all its subsidiaries, associates and jointly-controlled entities for the year ended 31 March 2007. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

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, and equity instruments issued 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, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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

Business combinations *(Continued)*

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 the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group recognises its interests in jointly-controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly-controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly-controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statement.

When a group entity transacts with a jointly-controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly-controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

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

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of the acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on acquisition is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Negative goodwill

A discount of acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in income statement.

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, investment properties, goodwill and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

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

Impairment of non-financial assets (other than goodwill) *(Continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest held under and operating lease which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated to fair value, which reflects market conditions at the balance sheet date.

Gain or loss arising from changes in fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year or retirement or disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its location and working condition for its intended use. Expenses incurred after item of 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 situation 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that assets or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives and after taking into account their estimated residual values. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	20-33$^1/_3$%
Leasehold improvements	Over the lease terms
Motor vehicles	20-33$^1/_3$%
Machineries	20-33$^1/_3$%

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

Property, plant and equipment *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant assets.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, being the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

Impairment of financial assets *(Continued)*

Assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Derecognition of financial assets *(Continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified accordingly to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are classified into (i) financial liabilities held for trading and (ii) those designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- The financial liability forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and interest-bearing loans advanced from shareholders are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is an equity instrument. For conversion option that does not meet the definition of an equity instrument, it is classified as a derivative financial liability and is carried at fair value.

Convertible notes that contain an equity component

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest rate method. The equity component will remain in convertible loan note equity reserve until the conversion option is exercised (in which case the amount will be transferred to the share premium account). Where the option remains unexercised at the expiry date, the amount stated in the convertible loan note equity reserve will be released to retained profits. No gain or loss is to be recognised in the income statement upon conversion or expiration of the option.

Convertible notes that do not contain an equity component

Conversion option that is classified as derivative financial liability are re-measured at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in the income statement in the period in which they arise.

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying value of the financial liability derecognised and the consideration paid is recognised in the income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs those have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

Income tax

Income tax for the year comprises current tax and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised costs less impairment loss for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Revenue recognition

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

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

- Interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- Rental income, on a time proportion basis over the lease terms.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. No accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward as the amount is immaterial.

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

Employee benefits *(Continued)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordnance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries 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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Share options scheme

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting periods, taking into account the probability that the options will vest.

During the vesting periods, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to achieving conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

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

Related parties

A party is considered to be related to 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 a 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 of the employees of the Group, or of any entity that is a related party of the Group.

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financial expenses.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgment 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.

Critical accounting estimates and assumptions

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 in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income tax

The Group is subject to income taxes in Hong Kong, Macau, and the People's Republic of China (the "PRC"). Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order 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, as well as 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. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

Impairment of trade 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 trade receivable 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 provision are not made could affect the results of operations.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at each balance sheet date.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Theses calculations require the use of estimates *(Note 17)*.

The carrying amount of goodwill at the balance sheet date was approximately HK$5,052,000 after an impairment of approximately HK$1,515,000 was recognised during the year.

Provision for obsolete inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes provision for obsolete and slow-moving inventory items. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes provision for obsolete items.

Estimated of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND ESTIMATES

The Group's principal financial instruments comprise cash and bank balances, and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's interest rate risk arises from interest-bearing borrowings and bank balances. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. Bank balances carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

Foreign exchange risk

The Group's sales are primarily in Hong Kong Dollars and Renminbi and its purchases are denominated primarily in Hong Kong Dollars and Renminbi. As it sales and purchases are denominated in Hong Kong Dollars and Renminbi, the Group considers there is no material currency risk and the Group does not have any formal hedging policy.

Credit risk

The carrying amount of trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relating to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs period credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the consolidated financial statements.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and time deposits arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's liquidity risk management includes diversifying the funding sources. Internally generated cash flow and funds raising from issuance of convertible notes and loans from shareholders during the year are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND ESTIMATES *(Continued)*

Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and cash equivalents, trade receivables less credit adjustments, prepayments, deposits and other receivables, trade payables, accruals and other payables.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. For the year ended 31 March 2007, the Group is primarily engaged in three business segments: (i) trading of fashion apparel; (ii) sales of fresh pork meat and related produce; and (iii) property holding.

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

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade and other receivables, time deposits, and cash and bank balances.

Segment liabilities comprise operating liabilities.

Unallocated assets and liabilities comprise items such as corporate borrowings.

Business segments

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

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

The segment results for the year ended 31 March 2007 are as follows:

	Trading of fashion apparel *HK$'000*	Sales of fresh pork meat and related produce *HK$'000*	Property holding *HK$'000*	Total *HK$'000*
Segment revenue:				
External revenue	**31,779**	**968**	**22**	**32,769**
Segment results excluding impairment loss recognised in respect of goodwill	**(37,430)**	**19**	**114**	**(37,297)**
Impairment loss recognised in respect of goodwill	**–**	**(1,515)**	**–**	**(1,515)**
Segment results	**(37,430)**	**(1,496)**	**114**	**(38,812)**
Interest income and unallocated gains				**115**
Corporate and other unallocated expenses				**(3,464)**
Operating loss				**(42,161)**
Finance costs				**(446)**
Share of loss of an associate				**(1,962)**
Loss before taxation				**(44,569)**
Taxation				**(6)**
Loss for the year				**(44,575)**

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Trading of fashion apparel HK$'000	Sales of fresh pork meat and related produce HK$'000	Property holding HK$'000	Total HK$'000
Assets and liabilities				
Segment assets	**39,183**	**8,034**	**11,953**	**59,170**
Unallocated				**21,012**
Total assets				**80,182**
Segment liabilities	**35,199**	**959**	**145**	**36,303**
Unallocated				**41,712**
Total liabilities				**78,015**
Other segment information				
Depreciation	**2,658**	**3**	**–**	**2,661**
Capital expenditure	**435**	**–**	**1,105**	**1,540**
Capital expenditure resulting from acquisitions through business combination	**–**	**6,747**	**10,540**	**17,287**
Loss on disposal of property, plant and equipment	**–**	**23**	**–**	**23**
Impairment loss recognised in the income statement				
– property, plant and equipment	**701**	**–**	**–**	**701**
– goodwill in respect of a subsidiary	**–**	**1,515**	**–**	**1,515**

During the year ended 31 March 2006, over 90% of the Group's revenue, results, assets and liabilities were derived from the trading segment engaged in the trading of fashion apparel. No revenue, results, assets and liabilities were derived from segments engaged in sales of fresh pork meat and related produce and property holding. Accordingly, no further detailed analysis of the Group's business segments is disclosed.

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. During the years ended 31 March 2006 and 2007, over 90% of the Group's revenue and assets were derived from customers and operations based in the People's Republic of China (the "PRC") including Mainland China and Hong Kong and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

6. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of fashion apparels, and fresh pork meat and related produce sold, after allowances for returns and trade discounts, and rental income. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Turnover:		
Sale of fashion apparel	**31,779**	78,833
Sale of fresh pork meat	**968**	–
Rental income	**22**	–
	32,769	78,833
Other revenue:		
Interest income	**103**	22
Sundry income	**12**	44
	115	66
Total revenue	**32,884**	78,899

Notes to Financial Statements

7. OPERATING LOSS

Operating loss is stated after charging:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**21,707**	58,577
Depreciation of owned property, plant and equipment	**2,661**	4,130
Depreciation of property, plant and equipment held under finance lease	**–**	217
Provision for impairment of trade receivables	**10,405**	11,328
Provision for obsolete inventories	**18,770**	20,740
Provision for amount due from a minority shareholder	**390**	–
Auditors' remuneration	**731**	773
Minimum lease payments under operating leases for land and buildings	**829**	741
Loss on disposal of property, plant and equipment	**23**	68
Impairment of property, plant and equipment	**701**	663
Impairment of interests in an associate *(Note 18)*	**265**	105
Impairment of goodwill *(Note 17)*	**1,515**	–
Salaries and other short-term employee benefits (excluding directors' remuneration – *Note 9*)	**4,548**	3,041
Retirement benefits scheme contributions	**52**	89
	4,600	3,130
and after crediting:		
Other income:		
Exchange gain	**877**	443
Negative goodwill *(Note 31)*	**26**	–
Fair value gain in respect of investment properties *(Note 16)*	**75**	–
Reversal of provision for impairment of trade receivables	**41**	–
Reversal of provision for obsolete inventories	**693**	–
	1,712	443

8. FINANCE COSTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Interest element of finance lease rental payments	**1**	6
Effective interest on convertible notes wholly repayable within five years	**44**	–
Effective interest on interest-bearing loans from shareholders wholly repayable within five years	**401**	–
	446	6

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

The remuneration of every Director for the year ended 31 March 2007 is set out below:

Name of director	Basic salaries	Director's fee	Provident fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2007:				
Executive directors				
Ms. Yeung Sau Han, Agnes *(Note 1)*	**684**	**–**	**14**	**698**
Mr. Ng Cheuk Fan, Keith	**650**	**–**	**12**	**662**
Mr. Hung Man Sing	**650**	**–**	**12**	**662**
Mr. Lim Kwok Choi *(Note 2)*	**101**	**–**	**5**	**106**
Mr. Chan Chun Hong, Thomas *(Note 3)*	**86**	**–**	**3**	**89**
Mr. Cheung Wai Kai, Alvin *(Note 4)*	**29**	**–**	**1**	**30**
Independent non-executive directors				
Mr. Lok Shing Kwan, Sunny *(Note 5)*	**–**	**97**	**–**	**97**
Mr. Chiang Chi Kin, Stephen *(Note 6)*	**–**	**97**	**–**	**97**
Mr. Chan Kin Sang *(Note 7)*	**–**	**97**	**–**	**97**
Mr. Sin Ka Man, Kenneth *(Note 8)*	**–**	**23**	**–**	**23**
Mr. Yuen Kam Ho, George *(Note 9)*	**–**	**4**	**–**	**4**
Mr. Cheung Sau Wah, Joseph *(Note 10)*	**–**	**4**	**–**	**4**
	2,200	**322**	**47**	**2,569**

Notes to Financial Statements

9. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of every Director for the year ended 31 March 2006 is set out below:

Name of director	Basic salaries *HK$'000*	Director's fee *HK$'000*	Provident fund contributions *HK$'000*	Total *HK$'000*
2006:				
Executive directors				
Ms. Yeung Sau Han, Agnes	698	–	12	710
Mr. So Chi Hiu *(Note 11)*	58	–	2	60
Mr. Ng Cheuk Fan, Keith	638	–	12	650
Mr. Hung Man Sing *(Note 12)*	564	–	11	575
Mr. Lim Kwok Choi	215	–	11	226
Independent non-executive directors				
Mr. Hung Man Sing *(Note 12)*	–	12	–	12
Mr. Lok Shing Kwan, Sunny	–	120	–	120
Mr. Chiang Chi Kin, Stephen	–	120	–	120
Mr. Chan Kin Sang	–	108	–	108
	2,173	360	48	2,581

Notes:

1. Ms. Yeung Sau Han, Agnes resigned on 5 January 2007.
2. Mr. Lim Kwok Choi resigned on 5 January 2007.
3. Mr. Chan Chun Hong, Thomas was appointed on 5 January 2007.
4. Mr. Cheung Wai Kai, Alvin was appointed on 5 January 2007.
5. Mr. Lok Shing Kwan, Sunny resigned on 24 January 2007.
6. Mr. Chiang Chi Kin, Stephen resigned on 24 January 2007.
7. Mr. Chan Kin Sang resigned on 24 January 2007.
8. Mr. Sin Ka Man, Kenneth was appointed on 24 January 2007.
9. Mr. Yuen Kam Ho, George was appointed on 20 March 2007.
10. Mr. Cheung Sau Wah, Joseph was appointed on 21 March 2007.
11. Mr. So Chi Hiu resigned on 6 May 2005.
12. Mr. Hung Man Sing was appointed on 22 March 2005 as independent non-executive director and re-designated to executive director on 6 May 2005.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2006: Nil). None of the directors has waived any emoluments during the year (2006: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The aggregate emoluments of the five highest paid individuals included three (2006: three) executive directors of the Company, whose emoluments are included in Note 9 above. The aggregate emoluments of the remaining two (2006: two) highest paid individuals are as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Basic salaries and allowances	**452**	603
Retirement benefits scheme contributions	**21**	21
	473	624

The remuneration of each non-director, highest paid employee fell within the nil to HK$1,000,000 band.

During the year, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2006: Nil).

11. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2006: Nil) on the estimated assessable profits arising in Hong Kong during the year. No provision for PRC income taxes has been made during the year as the subsidiaries operated in the PRC had no assessable profit for the year.

	The Group	
	2007	2006
	HK$'000	*HK$'000*
The Group:		
Current – Hong Kong	**6**	–
Current – Mainland China	**–**	32
Total tax charge for the year	**6**	32

During the year, the Hong Kong Inland Revenue Department ("IRD") issued two estimated assessments demanding for tax payment of approximately HK$4,193,000 and HK$800,000 to two wholly owned subsidiaries of the Group for the year of assessment of 2000/01. Both estimated tax assessments were held over unconditionally by the IRD.

Notes to Financial Statements

31 March 2007

11. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

The Group – 2007

	Hong Kong HK$'000	Macau HK$'000	Mainland China HK$'000	Total HK$'000
Loss before taxation	(12,334)	(5,049)	(27,186)	(44,569)
Tax at the applicable income tax rate	(2,160)*	(606)**	(8,972)***	(11,738)
Tax effect of income and expenses not taxable or deductible for tax purposes	250	606	(5,440)	(4,584)
Tax effect of unrecognised temporary differences	(19)	–	–	(19)
Tax effect of tax losses not recognised	1,935	–	14,412	16,347
Tax charge at the effective tax rate for the year	6	–	–	6

11. TAXATION *(Continued)*

The Group – 2006

	Hong Kong HK$'000	Macau HK$'000	Mainland China HK$'000	Total HK$'000
Loss before taxation	(4,811)	(28,605)	(5,962)	(39,378)
Tax at the applicable income tax rate	(842)*	(3,432)**	(1,967)***	(6,241)
Tax effect of income and expenses not taxable or deductible for tax purposes	70	3,432	1,316	4,818
Tax effect of unrecognised temporary differences	35	–	–	35
Tax effect of tax losses not recognised	737	–	683	1,420
Tax charge at the effective tax rate for the year	–	–	32	32

* The standard Hong Kong Profits Tax rate is 17.5%.

** The standard Macau Complementary Tax rate is 12%.

*** The standard Mainland China Corporate Income Tax rate is 33% on deemed profit, which was based on the 30% recognised income of a Company's subsidiary.

The Group has estimated tax losses arising in Hong Kong of approximately HK$27,252,000 (2006: HK$16,727,000) that are available indefinitely for offsetting against future taxable profits of companies in which the losses arose. No deferred tax assets have been recognised due to the unpredictability of future profits streams.

There was no income tax consequence attaching to the payment of dividends by the Company to its shareholders.

12. LOSS FOR THE YEAR

The net loss for the year dealt with in the financial statements of the Company amounted to approximately HK$44,861,000 (2006: HK$19,057,000).

Notes to Financial Statements

13. DIVIDEND

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

14. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$43,814,000 (2006: HK$39,410,000), and the weighted average number of 809,600,000 (2006: 809,600,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 March 2006 has not been disclosed as no diluting events existed during that year.

Diluted loss per share for the year ended 31 March 2007 has not been disclosed as the convertible notes outstanding during the year had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2007.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment *HK$'000*	**Leasehold improvements** *HK$'000*	**Motor vehicles** *HK$'000*	**Machineries** *HK$'000*	**Total** *HK$'000*
Cost:					
At 1 April 2005	7,656	845	850	–	9,351
Additions	974	2,754	–	–	3,728
Disposals	(633)	(82)	–	–	(715)
Exchange realignment	143	14	–	–	157
At 31 March 2006 and 1 April 2006	8,140	3,531	850	–	12,521
Additions	90	345	–	–	435
Acquisition of subsidiaries *(Note 31)*	139	25	–	16	180
Disposals	(8)	(13)	–	(2)	(23)
Exchange realignment	417	180	–	–	597
At 31 March 2007	**8,778**	**4,068**	**850**	**14**	**13,710**

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

The Group

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Machineries HK$'000	Total HK$'000
Accumulated depreciation and impairment:					
At 1 April 2005	4,660	42	423	–	5,125
Charge for the year	2,517	1,547	283	–	4,347
Impairment loss recognised for the year	–	663	–	–	663
Written back on disposals	(633)	(14)	–	–	(647)
Exchange realignment	86	–	–	–	86
At 31 March 2006 and 1 April 2006	6,630	2,238	706	–	9,574
Charge for the year	1,083	1,434	144	–	2,661
Impairment loss recognised for the year	487	214	–	–	701
Exchange realignment	361	155	–	–	516
At 31 March 2007	**8,561**	**4,041**	**850**	**–**	**13,452**
Net book value:					
At 31 March 2007	**217**	**27**	**–**	**14**	**258**
At 31 March 2006	1,510	1,293	144	–	2,947

At the balance sheet date, no property, plant and equipment was held under finance leases (2006: HK$109,000).

During the year ended 31 March 2007, the Group carried out a review of the recoverable amount of its furniture, fixtures and equipment and leasehold improvements. The review led to the recognition of an impairment loss of approximately HK$701,000 (2006: HK$663,000), that has been recognised in the consolidated income statement. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 13.31% per annum.

Property, plant and equipment kept in three stalls selling fresh pork meat located in Tseung Kwan O with a carrying value of approximately HK$23,000 was damaged due to a fire accident on 29 March 2007. Subsequently, the Group has claimed compensation for loss of approximately HK$195,000. One of the stalls was re-opened for business on 7 June 2007.

16. INVESTMENT PROPERTIES

The Group

	2007 *HK$'000*	2006 *HK$'000*
Fair value:		
At the beginning of the year	–	–
Additions	1,105	–
Acquisition of subsidiaries during the year *(Note 31)*	10,540	–
Net increase in fair value	75	–
At the end of the year	11,720	–

Investment properties were revalued at their open market values at 31 March 2007 by Messrs Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected with the Group, on an open market value, existing use basis. This valuation gave rise to a gain arising from change in fair value of approximately HK$75,000 at 31 March 2007, which has been charged to the consolidated income statement.

The investment properties are situated in Hong Kong under medium-term to long-term leases.

The investment properties are lease to third parties under operating lease. Property rental income earned during the year ended 31 March 2007 was approximately HK$22,000 (2006: Nil). No contingent rental income was recognised during the year ended 31 March 2007.

The Group leased its investment properties under operating lease arrangements with leases terms negotiated for terms ranging from 1 to 2 years, with an option to renew the contracts according to the prevailing market conditions. Tenants are required to pay security deposits under the lease terms.

At 31 March 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2007 *HK$'000*	2006 *HK$'000*
Within one year	522	–
In the second to fifth years inclusive	16	–
	538	–

Particulars of the Group's investment properties are shown on page 78.

17. GOODWILL

The Group

	2007 *HK$'000*	2006 *HK$'000*
Cost:		
At the beginning of the year	–	–
Addition due to acquisition of subsidiaries *(Note 31)*	6,567	–
At the end of the year	6,567	–
Impairment:		
At the beginning of the year	–	–
Impairment loss recognised	(1,515)	–
At the end of the year	(1,515)	–
Net carrying amount at the end of the year	5,052	–

During the year ended 31 March 2007, the Group assessed the recoverable amount of goodwill, and determined the goodwill associated with the Group's sale of fresh pork meat and related produce was impaired by approximately HK$1,515,000 (2006: Nil). The recoverable amount of the sale of fresh pork meat and related produce cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.31%.

17. GOODWILL *(Continued)*

Sale of fresh pork meat and related produce cash-generating unit

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Sales of fresh pork meat and related produce
	HK$'000
Carrying amount of goodwill	5,052

Key assumptions were used in the value-in-use calculation of the sale of fresh pork meat and related produce cash-generating unit for the year ended 31 March 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

18. INTERESTS IN AN ASSOCIATE

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**105**	2,067
Less: Provision for impairment	**(105)**	(105)
	–	1,962
Loan advanced to an associate	**6,752**	7,014
Less: Provision for impairment	**(265)**	–
	6,487	7,014
	6,487	8,976

The loan advanced to the associate is unsecured, interest free and has no fixed terms of repayment. The directors consider that the carrying amount of loan advanced to an associate approximates its fair value.

18. INTERESTS IN AN ASSOCIATE *(Continued)*

Particulars of the Group's associate are as follows:

Name	Business structure	Place of incorporation/ and operations	Particulars of issued and paid up capital	Percentage of ownership attributable to the Group	Principal activity
Uni-Johnson Trading Limited ("Uni-Johnson")*	Corporate	Hong Kong/ Mainland China	HK$10,000	50%	Property holding

* The financial statements of Uni-Johnson were not audited by HLB Hodgson Impey Cheng.

The shareholding in the associate is held by the Company through a wholly-owned subsidiary.

Financial information of Uni-Johnson as extracted from its management accounts for the year ended 31 March 2007 is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Total assets	**13,993**	14,113
Total liabilities	**(13,634)**	(14,119)
Net assets/(liabilities)	**359**	(6)
Revenue	**413**	457
Profit for the year	**368**	136

19. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	The Group	
	2007 *HK$'000*	2006 *HK$'000*
Share of net assets	**–**	–

19. INTERESTS IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

深圳豐德隆貿易有限公司 is registered as a Sino-foreign joint venture enterprise in the PRC on 21 February 2006. The registered capital of 深圳豐德隆貿易有限公司 is RMB1,000,000. The principal activities of 深圳豐德隆貿易有限公司 is sales of fashion apparel. The Group's share of registered capital amounting to RMB600,000 was paid during the year ended 31 March 2007. On 19 May 2006, the Group paid capital of RMB93,000. On 7 February 2007, the Group paid the remaining capital of RMB507,000.

Upon the set up of the joint venture, in accordance with the joint venture contracts and the articles of association of the jointly-controlled entity, the board of director of the jointly-controlled entity comprised of three directors. Two of which were appointed by the Group. In accordance with the article of association of the jointly-controlled entity,

(1) a quorum requires over two-third of the total number of directors. Resolution passed in a directors' meeting with attendance less than two-third of the total number of directors of the jointly-controlled entity is invalid.

(2) Certain significant matters require the unanimous approval of all directors of the jointly-controlled entity.

On 22 September 2006, the joint venture contract and the articles of association of the jointly controlled entity were amended and the number of directors of the joint venture has been increased from three to four. Three of which were appointed by the Group. Since then, the jointly-controlled entity became a 60% owned subsidiary of the Group.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at costs	**38,898**	38,898
Less: Provision for impairment	**(38,898)**	(16,214)
	–	22,684
Amounts due from subsidiaries	**47,887**	25,605
Less: Provision for impairment	**(18,758)**	(90)
	29,129	25,515
Amount due to a subsidiary	**–**	(2,198)

The carrying amount of the investments in subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

The amount due from/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand. The directors consider that the carrying amounts of the amounts due from/to subsidiaries approximate their fair value.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Born Idea Limited	BVI	US$1,601	100%	Investment holding
Loyal Fame International Limited	BVI	US$1	100%	Investment holding
Indirectly held				
Allied Victory Investment Limited	Hong Kong	HK$2	100%	Property holding
Charmlink International Group Limited	BVI	US$50,000	100%	Investment holding
Go Fast Limited	Hong Kong	HK$100	100%	Investment holding
Goldbo Investment Limited	Hong Kong	HK$2	100%	Property holding
Greatest Wealth Limited	Hong Kong	HK$100	100%	Operation of retail stalls selling fresh pork meat and related products
LeRoi Macao Commercial Offshore Limited	Macau	MOP100,000	100%	Inactive
LeRoi Trading International Limited	BVI/Macau	US$1,000	100%	Inactive
Sincere Jade Limited	BVI/Mainland China	US$1	100%	Provision of quality control and design services
Stand Fancy Limited	Hong Kong	HK$10,000	100%	Investment holding
Top Infinity Limited	Hong Kong	HK$1	100%	Provision of administrative services

Notes to Financial Statements

31 March 2007

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Top Million International Limited	Hong Kong	HK$1,000	100%	Provision of administrative services
東莞美爾奴時裝有限公司*	Mainland China	–	100%	Dormant
立宜服裝（深圳）有限公司	Mainland China	HK$1,000,000	100%	Design, production, sales and marketing of fashion apparel
深圳豐德隆貿易有限公司**	Mainland China	RMB1,000,000	60%	Sales of fashion apparel

* 東莞美爾奴時裝有限公司 is registered as a wholly-foreign owned enterprise in the PRC. No capital was paid up within 18 months after the issue of certificate of incorporation and up to the date of approval of these financial statements.

** 深圳豐德隆貿易有限公司 is registered as a Sino-foreign joint venture enterprise in the PRC on 21 February 2006. The registered capital of 深圳豐德隆貿易有限公司 is RMB1,000,000. The Group's share of paid up capital of RMB600,000 was fully injected during the year ended 31 March 2007.

On 22 September 2006, the Group gained control over 深圳豐德隆貿易有限公司 *(Note 19)*. Since then, 深圳豐德隆貿易有限公司 became a 60% owned subsidiary of the Group.

None of the above subsidiaries issued debt securities during the year or at the year end.

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

21. INVENTORIES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Raw material	**1,891**	817
Finished goods	**64,306**	52,852
	66,197	53,669
Less: Provision for obsolete inventories	**(45,680)**	(28,740)
	20,517	24,929

22. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 180 days (2006: 180 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on invoice date, is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**8,487**	19,784
91 to 180 days	**5,586**	17,378
Over 180 days	**15,640**	19,196
	29,713	56,358
Less: Accumulated impairment	**(17,216)**	(19,084)
	12,497	37,274

The directors consider that the carrying amount of trade receivables approximates its fair value.

23. CASH AND BANK BALANCES

At the balance sheet date, the cash and bank balances of the Group included currencies denominated in Renminbi ("RMB") amounted to approximately HK$2,781,000 (2006: HK$1,668,000) which is not freely convertible into other currencies.

24. TRADE PAYABLES

An aged analysis of the Group's trade payables at the balance sheet date, based on invoice date, is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**2,892**	1,808
91 – 180 days	**163**	–
	3,055	1,808

The directors consider that the carrying amount of trade payables approximates its fair value.

Notes to Financial Statements

31 March 2007

25. OBLIGATIONS UNDER FINANCE LEASE

The Group leased a motor vehicle for its business. This lease was classified as a finance lease.

At 31 March 2007, the total future minimum lease payments under the finance lease and their present value were as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount payable under finance leases:				
Within one year	–	63	–	61
Less: Future finance charges	–	(2)	**N/A**	N/A
Present value of lease obligations	–	61	–	61
Less: Amount due within one year shown under current liabilities	–	(61)		
Amount due after one year	–	–		

26. INTEREST-BEARING LOANS FROM SHAREHODLERS

The Group and the Company

The loan with a principal amount of HK$20,000,000 from a shareholder, Gain Better Investments Limited, is unsecured, carries interest at 6.5% per annum, and is repayable on 26 January 2010. The effective interest rate of the loan is 8.45%.

The loan with a principal amount of HK$18,750,000 from a shareholder, Taco Holdings Limited, is unsecured, carries interest at 6.5% per annum, which is payable semi-annually in arrears, and is repayable not later than 4 January 2010. The effective interest rate of the loan is 8.45%.

27. CONVERTIBLE NOTES

On 24 January 2007, the Company issued 6.5% convertible notes ("Convertible Notes") with a principal amount of HK$3,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.2 each (subject to adjustment as stipulated in the agreement of the Convertible Notes).

The Convertible Notes carries interest at a rate of 6.5% per annum, which is payable semi-annually in arrears. The maturity date of the Convertible Notes is 23 January 2010.

The convertible notes contain two components, liability and equity elements. The equity element is presented in equity heading "Convertible notes equity reserve". The effective interest rate of the liability component is 8.45%.

The Convertible Notes issued during the year have been split as to the liability and equity components, as follows:

	2007	2006
	HK$'000	*HK$'000*
Nominal value of convertible notes issued during the year	**3,000**	–
Equity component	**(152)**	–
Direct transaction costs attributable to the liability component	**–**	–
Liability component at the issuance date	**2,848**	–
Interest expense charged	**44**	–
Interest payable	**(36)**	–
Liability component at the end of the year	**2,856**	–

28. SHARE CAPITAL

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
809,600,000 ordinary shares of HK$0.01 each	**8,096**	8,096

There were no movements in the Company's authorised and issued share capital during the years ended 31 March 2006 and 2007.

Share option scheme

Details of the Company's share option scheme are included in Note 29 to the financial statements.

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, and customers of the Group. The Scheme became effective on 8 October 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of a share of the Company; (ii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Up to the date of this report, no share options have been granted by the Company under the Scheme.

30. RESERVES

(a) The Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

30. RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000	Convertible notes equity reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	58,932	–	–	(3,116)	55,816
Net loss for the year	–	–	–	(19,057)	(19,057)
At 31 March 2006 and at 1 April 2006	58,932	–	–	(22,173)	36,759
Deemed contribution from shareholders	–	–	1,966	–	1,966
Issue of convertible notes *(Note 27)*	–	152	–	–	152
Net loss for the year	–	–	–	(44,861)	(44,861)
At 31 March 2007	**58,932**	**152**	**1,966**	**(67,034)**	**(5,984)**

The share premium account of the Company includes (i) shares issued at a premium; and (ii) the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor pursuant to the group reorganisation upon the listing of the Company.

Under the Companies Law (revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The capital reserve of the Company represents the amount of cash received in excess of the fair value of the interest-bearing loans from shareholders during the year ended 31 March 2007. For details, please refer to Note 26 to the financial statements.

31. ACQUISITION OF SUBSIDIARIES

On 23 March 2007, the wholly owned subsidiary of the Group, All Access Limited, acquired 100% interests in Greatest Wealth Limited ("Greatest Wealth") and a related shareholder's loan in the principal amount of HK$2,000,000 at a consideration of HK$8,000,000. The consideration was satisfied in cash. The amount of goodwill arising as a result of the acquisition was approximately HK$6,567,000.

On 23 March 2007, the wholly owned subsidiary of the Group, Garwell Investments Limited, acquired 100% equity interest in Allied Victory Investment Limited ("Allied Victory") at a consideration of HK$10,200,000 (included the shareholder's loan in the principal amount of HK$9,980,000). The consideration was satisfied in cash. The amount of negative goodwill arising as a result of the acquisition was approximately HK$26,000.

Greatest Wealth and Allied Victory were wholly owned subsidiaries of Wang On Group Limited which held 49% of the shareholding interests in Wai Yuen Tong Medicine Holdings Limited which held 25.32% of the shareholding interests in the Company at 23 March 2007. Such acquisitions constituted a major and connected transaction under the Listing Rules. For more details, please refer to the Company's circular dated 5 March 2007.

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

The effect of net assets acquired in the transaction and the goodwill/(negative goodwill) arising are as follows:

Net assets acquired:

	Greatest Wealth			Allied Victory			
	Acquiree's carrying amount before combination	Fair value adjustment	Total	Acquiree's carrying amount before combination	Fair value adjustment	Total	Total fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	180	–	180	–	–	–	180
Investment properties	–	–	–	10,540	–	10,540	10,540
Inventories	10	–	10	–	–	–	10
Prepayments, deposits and other receivables	1,339	–	1,339	43	–	43	1,382
Cash and bank balances	1,943	–	1,943	35	–	35	1,978
Trade payables	(644)	–	(644)	–	–	–	(644)
Other payables and accruals	–	–	–	(92)	–	(92)	(92)
Tax payable	(195)	–	(195)	–	–	–	(195)
Dividend payable	(633)	–	(633)	–	–	–	(633)
	2,000	–	2,000	10,526	–	10,526	12,526
Goodwill *(Note 17)*			6,567			–	6,567
Negative goodwill			–			(26)	(26)
			8,567			10,500	19,067

	Greatest Wealth	Allied Victory	Total
	HK$'000	*HK$'000*	*HK$'000*
Total consideration satisfied by:			
Cash consideration	8,000	10,200	18,200
Directly attributable costs	567	300	867
	8,567	10,500	19,067

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

Analysis of the net outflow in respect of the acquisition of subsidiaries:

	HK$'000
Cash paid	(19,067)
Bank balances and cash acquired	1,978
Net cash outflow in respect of the purchase of the subsidiaries	(17,089)

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Greatest Wealth. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Greatest Wealth. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

During the year ended 31 March 2007, Greatest Wealth and Allied Victory contributed approximately HK$968,000 and HK$22,000 respectively to the Group's turnover for the period from the date of acquisition to the balance sheet date .

If the acquisition had been completed on 1 April 2006, total group revenue for the year would have been approximately HK$72,965,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$41,762,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

32. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises and pork stalls under operating lease arrangements which are negotiated for lease terms of from one to three years.

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

	2007 ***HK$'000***	2006 *HK$'000*
Within one year	**4,200**	458
In the second to fifth years, inclusive	**5,375**	159
	9,575	617

The Company has no material operating lease arrangement as at 31 March 2007.

Notes to Financial Statements

33. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

(i) On 23 March 2007, the Group acquired 100% equity interests in Greatest Wealth and Allied Victory at a total consideration of HK$18,200,000 (inclusive of shareholders' loan in the principal amount of approximately HK$11,980,000). Greatest Wealth and Allied Victory were the subsidiaries of Wang On Group Limited which held 49% of the shareholding interest in Wai Yuen Tong Medicine Holdings Limited which held 25.32% of the shareholding interests in the Company as at 23 March 2007. For further details, please refer to the Company's circular dated 5 March 2007.

(ii) In addition, the leasing of retail stalls from Wang On Majorluck Limited or Majorluck Limited, which were the indirect wholly-owned subsidiaries of Wang On Group Limited, to Greatest Wealth for the operation of its sales of fresh pork meat and related produce of HK$98,000 constitute a connected transaction.

(iii) During the year, Gain Better Investments Limited ("Gain Better"), a wholly owned subsidiary of Wai Yuen Tong Medicine Holdings Limited and a shareholder of the Company, has undertaken to provide a HK$35,000,000 loan facility carries interest at a rate of 6.5% with maturity date on 26 January 2010 to the Company. As at 31 March 2007, the Company has obtained HK$20,000,000 loan from Gain Better *(Note 26)*.

(iv) During the year, Taco Holdings Limited ("Taco"), a shareholder of the Company, has undertaken to provide a HK$18,750,000 loan facility carries interest at a rate of 6.5% with maturity date on 4 January 2010 to the Company. As at 31 March 2007, the Company has obtained HK$18,750,000 loan from Taco *(Note 26)*.

(v) During the year, the Company issued 6.5% Convertible notes to Gain Better, a wholly owned subsidiary of Wai Yuen Tong Medicine Holdings Limited and a shareholder of the Company, with a principal amount of HK$3,000,000 *(Note 27)*.

The above transactions constitute connected transactions under Listing Rules.

Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9 is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**2,401**	2,173
Employer contribution to pension scheme	**51**	48
	2,452	2,221

34. CAPITAL COMMITMENT

At 31 March 2007, the Group had the following capital commitments:

	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for:		
Capital contributions payable to a jointly-controlled entity	–	577
Acquisition of investment properties	**657**	–
	657	577

The Company has no material capital commitment as at 31 March 2007.

35. CONTINGENT LIABILITIES

During the year, the Hong Kong Inland Revenue Department ("IRD") issued two estimated assessments demanding for tax payment of approximately HK$4,193,000 and HK$800,000 to two wholly-owned subsidiaries of the Group for the year of assessment of 2000/01. Both estimated tax assessments were held over unconditionally by the IRD. In the opinion of the directors, no provision is required at this stage for the Group's exposure, as such, no provision has been made in the financial statements for the above matters.

Apart from disclosed above, the Group does not have any material contingent liabilities as at 31 March 2007.

The Company has no material contingent liabilities as at 31 March 2007.

36. SUBSEQUENT EVENTS

(i) Subsequent to the balance sheet date, an indirect wholly-owned subsidiary of the Company acquired an investment property at a consideration of HK$2,100,000 and also entered into a sale and purchase agreement for acquisition of an investment property at a consideration of HK$1,950,000.

(ii) Subsequent to the balance sheet date, an indirect wholly-owned subsidiary of the Company entered into a hire purchase agreement for the acquisition of a motor vehicle at a consideration of HK$1,204,000.

37. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 July 2007.

Particulars of Properties

As 31 March 2007

PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Lease term
7/F., 33 Wong Chuk Street, Sham Shui Po, Kowloon	Residential	Medium
7C, Dun Tak Mansion, 127 Portland Street, Mong Kok, Kowloon	Residential	Medium
9/F., Yu Chao Building, 10 Shek Kip Mei Street, Sham Shui Po, Kowloon	Residential	Medium
8/F., 253 Tai Nan Street, Sham Shui Po, Kowloon	Residential	Medium
7/F., Kwok Chai Building, 137 Sai Yee Street, Mong Kok, Kowloon	Residential	Long
8/F., Kwok Chai Building, 137 Sai Yee Street, Mong Kok, Kowloon	Residential	Long
2/F., 675 Shanghai Street, Kowloon	Residential	Medium

Five Year Financial Summary

31 March 2007

SUMMARY OF THE RESULTS, ASSETS AND LIABILITIES OF THE GROUP FOR THE LAST FIVE YEARS IS AS FOLLOWS:

	Consolidated year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	**32,769**	78,833	111,031	171,100	162,851
Cost of sales	**(21,707)**	(58,577)	(78,866)	(111,518)	(94,546)
Gross profit	**11,062**	20,256	32,165	59,582	68,305
Other revenue	**115**	66	40	21	13
Other income	**1,712**	443	–	–	–
Selling and distribution expenses	**(9,392)**	(12,258)	(14,128)	(15,681)	(14,811)
Administrative expenses	**(14,002)**	(15,111)	(12,937)	(10,336)	(5,312)
Other operating expenses	**–**	–	–	(9,131)	–
Impairment of goodwill	**(1,515)**	–	–	–	–
Impairment of property, plant and equipment	**(701)**	(663)	–	(90)	–
Impairment of interests in an associate	**(265)**	(105)	–	–	–
Provision for impairment of trade receivables	**(10,405)**	(11,328)	(2,677)	–	(4,283)
Provision for obsolete inventories	**(18,770)**	(20,740)	(4,822)	(1,000)	–
Operating (loss)/profit	**(42,161)**	(39,440)	(2,359)	23,365	43,912
Finance costs	**(446)**	(6)	(12)	(8)	–
Share of (loss)/profit of an associate	**(1,962)**	68	15	(6)	–
(Loss)/profit before taxation	**(44,569)**	(39,378)	(2,356)	23,351	43,912
Taxation	**(6)**	(32)	(1,284)	(5,241)	(7,869)
(Loss)/profit for the year	**(44,575)**	(39,410)	(3,640)	18,110	36,043
(Loss)/profit for the year attributable to:					
– Equity holders of the Company	**(43,814)**	(39,410)	(3,640)	18,110	36,043
– Minority interest	**(761)**	–	–	–	–
	(44,575)	(39,410)	(3,640)	18,110	36,043
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year					
– Basic (HK cents)	**(5.41)**	(4.87)	(0.45)	2.24	4.96
– Diluted (HK cents)	**N/A**	N/A	N/A	N/A	N/A

Five Year Financial Summary

31 March 2007

	Consolidated as at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**80,182**	79,588	115,973	127,972	112,266
Total liabilities	**(78,015)**	(34,726)	(32,872)	(41,231)	(33,920)
	2,167	44,862	83,101	86,741	78,346
Equity attributable to equity holders of the Company	**2,167**	44,862	83,101	86,741	78,346
Minority interests	–	–	–	–	–
	2,167	44,862	83,101	86,741	78,346

Notes:

1. The results of the Group for the years ended 31 March 2006 and 2007 are those set out on page 24 of this annual report.