

LeROI

LeROI Holdings Limited

利來控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 221)



Interim Report

2007

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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, *PMSM*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Cheuk Fan, Keith

QUALIFIED ACCOUNTANT

Mr. Ng Cheuk Fan, Keith

LEGAL ADVISERS

Kirkpatrick & Lockhart Preston Gates Ellis
Mallesons Stephen Jaques

PRINCIPAL BANKERS

China Construction Bank Corporation
China Construction Bank (Asia) Corporation Limited
The Hong Kong and Shanghai Banking
Corporation Limited
Bank Sarasin-Rabo (Asia) Limited
ABN AMRO Bank N.V.
Bank of China (Hong Kong) Limited

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

AUDITORS

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

BRANCH REGISTRAR IN HONG KONG

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

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<http://finance.thestandard.com.hk/en/02211eroi>

STOCK CODE

221

INTERIM DIVIDEND

The board of directors (the “Board”) of LeRoi Holdings Limited (the “Company”) does not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 September 2007, the Company and its subsidiaries (the “Group”) recorded a turnover of approximately HK\$38.8 million (2006: HK\$21.5 million), representing an increase of approximately 80.5% as compared to the corresponding period last year, which was mainly due to the introduction of the Group’s diversification into the retailing of fresh pork meat and related products in March 2007.

Gross profit was approximately HK\$12.0 million (2006: HK\$10.1 million), representing a moderate increase of approximately 18.8%. However, the net loss attributable to equity holders increased to HK\$9.2 million (2006: HK\$1.1 million), which was mainly attributable to the rises in the selling expenses in the fashion apparel business, the administrative and professional fees incurred in respect of the Group’s real estate development projects in Vietnam as well as the interest payments on interest-bearing shareholders’ loans.

Shareholders’ loans of HK\$18.75 million and HK\$24.0 million advanced to the Company by Taco Holdings Limited (“Taco”) (the previous substantial shareholder of the Company which is no longer a substantial shareholder of the Company subsequent to its disposal of the Company’s shares at the end of May 2007) and Gain Better Investments Limited (“Gain Better”) respectively remained outstanding as at the balance sheet. The shareholder’s loan of HK\$24.0 million provided by Gain Better to the Company was repaid in the middle of October out of the net proceeds from the share placement mentioned below.

The Company entered into several placing and subscription agreements on 6 August 2007 regarding (i) the top-up placing of 161,900,000 shares to independent placees; (ii) the placing of 4,570,000,000 shares to independent placees, on a fully underwritten basis, and the placing of up to a further 2,000,000,000 shares to independent placees, on a best efforts basis; and (iii) the placing to Gain Better of 2,100,000,000 new shares and HK\$190 million convertible bonds which are convertible into 1,583,333,333 new shares at the conversion price of HK\$0.12 per share (subject to adjustments). Net proceeds of approximately HK\$882.8 million were raised from the abovementioned placements and subscription, except for the best efforts placing of up to 2,000,000,000 shares, which may be completed in January 2008, if possible.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW

For the six months ended 30 September 2007, the Group recorded a turnover in fashion apparel of approximately HK\$18.2 million, representing a decrease of approximately 15.3% as compared to the corresponding period last year. This was mainly attributable to the decrease in distribution outlets. As at 30 September 2007, the Group has a total of 52 distribution outlets comprising 44 franchisees, 1 authorised distributor and 7 counters in department stores, representing a decrease of approximately 16.1% as compared to the corresponding period last year.

The retailing of fresh pork meat and related products generated steady income and cash flow for the Group during the period under review. It is expected that such business will continue to be profitable and will contribute significant income towards the Group.

The Group has continued to acquire investment properties in Hong Kong. As at the date of this report, the Group had a portfolio of 25 investment properties in Hong Kong, with the completion of the acquisition of several properties falling due soon. During the period under review, rental income from its investment properties provided steady cash flow for the Group.

On 13 September 2007, the Group entered into an agreement to acquire the entire issued share capital of a Hong Kong company which had entered into an agreement for the formation of a joint venture company in Vietnam with charter capital of US\$32.8 million to develop a golf-course, high-end villas and middle-income residential complex at a land site located at Long An Province, Vietnam, details of which were announced by the Company on 17 September 2007. Subsequent to the balance sheet date, the Group further invested in another joint venture company in Vietnam with charter capital of US\$3.06 million for the purpose of undertaking a property development project on a land site located in Binh Phuoc Province, Vietnam. In view of rapid urbanisation and the demand for residential and commercial real estate in Vietnam, the Board considers that the prospects of the Vietnam property market are promising.

On 23 November 2007, the Group entered into an agreement to acquire 50% equity interest in a company established in the People's Republic of China (the "PRC") which had acquired a land site of approximate 2.4 million square feet in Fuzhou, Jiangxi Province, the PRC. It is intended that the land will be developed into a residential cum commercial complex. The Board considers that such acquisition will allow the Group to enjoy the continuing economic development of Fuzhou and further expand its property development business in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Future Plans and Prospects

After conducting a series of restructuring, the Group has diversified its business into new areas, including retailing and property investment and development. In addition, the Group has carried out a series of acquisitions and fund raising activities completed before and after the balance sheet date, which have strengthened the capital base of the Group and will enhance the revenue stream of the Group and enable the Group to invest in any other potential projects.

Taking into consideration of the rapid economic growth and the strong demand for both residential and commercial real estate in both Vietnam and the PRC, the Board considers that the property markets in these countries are promising and the Group's investments in these markets are expected to offer good financial returns to the Company.

With the enhanced capital resources now available, the Group will also keep its investment and operating strategies under review on an ongoing basis.

Liquidity and Financial Resources

As at 30 September 2007, the Group had net current assets of approximately HK\$91.2 million (31 March 2007: HK\$56.7 million) with current ratio at approximately 2.2 (31 March 2007: 1.5). The current assets mainly comprised inventories of approximately HK\$24.5 million, trade and other receivables of approximately HK\$11.8 million, and bank balances and cash of approximately HK\$54.9 million.

The Group did not raise any bank borrowing during the period under review but had outstanding shareholders' loans of the aggregate principal amount of HK\$42.75 million and obligations under finance lease of approximately HK\$0.8 million as at the balance sheet date. The Group's gearing ratio was 34.3% as at the balance sheet date (31 March 2007: 52.1%), based on the interest-bearing debts to total assets.

For the six months ended 30 September 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 30 September 2007, the Group was free from any mortgage charge on the Group's assets.

EMPLOYEES

As at 30 September 2007, the Group had approximately 159 employees, of which 71.7% were located in the PRC. The employees are remunerated based on their work performance and experience and prevailing industry practice. The Group operates a Mandatory Provident Fund Scheme for those employees in Hong Kong who are eligible to participate.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CONTINGENT LIABILITIES

As at the balance sheet date, there were two estimated tax assessments, demanding aggregate tax payments of approximately HK\$5.0 million, issued by the Hong Kong Inland Revenue Department (“IRD”) against two wholly-owned subsidiaries of the Company. Both estimated tax assessments have been held over unconditionally by the IRD and no provision is required at the stage in respect of the Group’s exposure to the above matters.

DISCLOSURE OF INTERESTS

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2007, none of the directors and chief executive of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

DISCLOSURE OF INTERESTS *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the following persons (other than the directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in ordinary shares and underlying shares of the Company:

Name of shareholder	Number of shares or underlying shares	Approximate percentage of the Company's total issued share capital (Note 1)
		%
Chu Yuet Wah <i>(Note 2)</i>	4,820,000,000	471.85
Kingston Securities Limited ("KSL") <i>(Note 2)</i>	4,570,000,000	447.38
Ma Siu Fong <i>(Note 2)</i>	4,570,000,000	447.38
Gain Better <i>(Note 3)</i>	3,888,333,333	380.65
Wai Yuen Tong Medicine Holdings Limited ("WYT")	3,888,333,333	380.65
Choi Koon Shum, Jonathan <i>(Note 4)</i>	275,000,000	26.92
Festival Developments Limited <i>(Note 4)</i>	275,000,000	26.92
Innovation Assets Limited <i>(Note 4)</i>	275,000,000	26.92
Kingsway International Holdings Limited <i>(Note 4)</i>	275,000,000	26.92
Kingsway Lion Spur Technology Limited <i>(Note 4)</i>	275,000,000	26.92
Kwan Wing Kum, Janice <i>(Note 4)</i>	275,000,000	26.92
Lam Wong Yuk Sin, Mary <i>(Note 4)</i>	275,000,000	26.92

DISCLOSURE OF INTERESTS *(Continued)***SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(Continued)**Long positions in ordinary shares and underlying shares of the Company: (Continued)*

Name of shareholder	Number of shares or underlying shares	Approximate percentage of the Company's total issued share capital (Note 1)
		%
SW Kingsway Capital Holdings Limited <i>(Note 4)</i>	275,000,000	26.92
World Developments Limited <i>(Note 4)</i>	275,000,000	26.92
Cheng Nga Ming, Vincent <i>(Note 4)</i>	272,288,000	26.65
Mak Tai Wo <i>(Note 4)</i>	270,848,000	26.51
So Chi On <i>(Note 4)</i>	250,640,000	24.54
Au Tsui Yee, Maggie <i>(Note 4)</i>	250,000,000	24.47
Best China Limited <i>(Note 4)</i>	250,000,000	24.47
Lee Tony Yu Tung <i>(Note 4)</i>	250,000,000	24.47
Lei Hong Wai <i>(Note 4)</i>	250,000,000	24.47
Wong Hip Keung <i>(Note 4)</i>	250,000,000	24.47
Wong Lai Hop <i>(Note 4)</i>	250,000,000	24.47
Zhang Ming <i>(Note 4)</i>	250,000,000	24.47
Choi Chun Chung, Danny <i>(Note 4)</i>	200,000,000	19.58
Kwok Wai King, Pinki <i>(Note 4)</i>	174,456,000	17.07
Suek Ernie <i>(Note 4)</i>	149,736,000	14.66
Mak Shing Fu <i>(Note 4)</i>	139,312,000	13.64
Lee Sin Chai <i>(Note 4)</i>	134,400,000	13.15
Cheong Hou Iam <i>(Note 4)</i>	70,000,000	6.85
Chan Kang Ching <i>(Note 4)</i>	64,500,000	6.31

DISCLOSURE OF INTERESTS *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long positions in ordinary shares and underlying shares of the Company: (Continued)

Notes:

1. The percentages shown are based on the 1,021,500,000 shares in issue as at 30 September 2007.
2. KSL was deemed to be interested in 4,570,000,000 shares pursuant to the placing agreement entered into between the Company and KSL (as detailed in the Company's announcement dated 7 August 2007) (the "Placement"). Ms. Chu Yuet Wah and Ms. Ma Siu Fong owned 51% and 49% interest in KSL respectively.
3. As at 30 September 2007, Gain Better held 205,000,000 shares of the Company. Pursuant to the subscription agreement dated 6 August 2007 entered into between the Company and Gain Better (as detailed in the Company's announcement dated 7 August 2007), Gain Better was deemed to be interested in 2,100,000,000 shares and HK\$190 million convertible bonds, which were convertible into 1,583,333,333 shares of the Company upon exercise of the conversion right at an initial conversion price of HK\$0.12 per share (subject to adjustments) (collectively the "Subscription").
4. These were placees or sub-placees under the Placement.

Save as disclosed above, as at 30 September 2007, there were no other persons (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

To provide more meaningful information, subsequent to the balance sheet date of 30 September 2007 and immediately upon completion of the Placement and the Subscription which took place on 5 October 2007, the interests and long positions in the shares and underlying shares of the Company were as follows as at that date:—

Long positions in ordinary shares and underlying shares of the Company immediately following completion of the Placement and the Subscription:

Name of shareholder	Number of shares or underlying shares	Approximate percentage of the Company's total issued share capital <i>(Note 1)</i>
		%
Gain Better <i>(Note 3)</i>	3,888,333,333	50.55
WYT	3,888,333,333	50.55

DISCLOSURE OF INTERESTS *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long positions in ordinary shares and underlying shares of the Company immediately following completion of the Placement and the Subscription: (Continued)

Notes:

1. The percentages shown are based on the 7,691,500,000 shares in issue as at 5 October 2007 (i.e. immediately following completion of the Placements and the Subscription).
2. As at 5 October 2007, Gain Better held 2,305,000,000 shares in the Company and 1,583,333,333 underlying shares, which are issuable upon conversion of the convertible bonds issued by the Company with an aggregate principal amount of HK\$190 million held by Gain Better.

SHARE OPTION SCHEME

The Company adopted 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 Scheme will expire on 7 October 2012.

During the six months ended 30 September 2007, the Board had not granted any option under the Scheme to the directors or eligible employees of the Group to subscribe for shares in the Company and as at 30 September 2007, there was no outstanding share options under the Scheme.

OTHER INFORMATION

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2007.

The Group 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 the shareholders of the Company.

OTHER INFORMATION *(Continued)*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code adopted by the Company throughout the period under review.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2007 of the Group. The audit committee comprises three independent non-executive directors of the Company.

By Order of the Board

Hung Man Sing

Chairman

Hong Kong, 12 December 2007

INTERIM RESULTS

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2007, together with the comparative figures for the corresponding period in 2006. The condensed consolidated financial statements were not audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Notes	For the six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited and restated) HK\$'000
Turnover	4	38,766	21,540
Cost of sales		<u>(26,770)</u>	<u>(11,458)</u>
Gross profit		11,996	10,082
Other revenue	4	1,338	42
Selling and distribution expenses		(10,449)	(4,494)
Administrative expenses		(10,496)	(6,710)
Increase in fair value of investment properties		<u>284</u>	<u>—</u>
Operating loss	5	(7,327)	(1,080)
Finance costs	6	<u>(1,723)</u>	<u>(1)</u>
Loss before taxation		(9,050)	(1,081)
Taxation	7	<u>(145)</u>	<u>—</u>
Loss for the period		<u>(9,195)</u>	<u>(1,081)</u>
Loss for the period attributable to:			
– Equity holders of the Company		(9,195)	(1,081)
– Minority interest		<u>—</u>	<u>—</u>
		<u>(9,195)</u>	<u>(1,081)</u>
Loss per share for loss attributable to equity holders of the Company	8		
– Basic		<u>(HK1.06 cents)</u>	<u>(HK0.13 cents)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2007

	<i>Notes</i>	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		1,725	258
Investment properties	9	22,570	11,720
Goodwill		5,052	5,052
Interests in an associate	10	<u>6,496</u>	<u>6,487</u>
		<u>35,843</u>	<u>23,517</u>
Current assets			
Inventories	11	24,467	20,517
Trade receivables	12	6,923	12,497
Prepayments, deposits and other receivables		4,889	2,152
Time deposits		42,373	14,280
Cash and bank balances		<u>12,500</u>	<u>7,219</u>
		<u>91,152</u>	<u>56,665</u>
Less: Current liabilities			
Trade payables	13	2,009	3,055
Accruals and other payables		7,463	4,806
Obligations under finance lease – due within one year		142	–
Tax payable		<u>31,689</u>	<u>30,439</u>
		<u>41,303</u>	<u>38,300</u>
Net current assets		<u>49,849</u>	<u>18,365</u>
Total assets less current liabilities		<u>85,692</u>	<u>41,882</u>
Less: Non-current liabilities			
Interest-bearing loans from shareholders	14	40,973	36,859
Obligations under finance lease – due after one year		613	–
Convertible notes	15	–	2,856
		<u>41,586</u>	<u>39,715</u>
Net assets		<u>44,106</u>	<u>2,167</u>
Capital and reserves			
Share capital	16	10,215	8,096
Reserves		<u>33,891</u>	<u>(5,929)</u>
Total equity attributable to equity holders of the Company		<u>44,106</u>	<u>2,167</u>
Minority interest		<u>–</u>	<u>–</u>
Total equity		<u>44,106</u>	<u>2,167</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Attributable to equity holders of the Company								
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Convertible notes equity reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interest (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2006	8,096	9,827	1,171	-	25,768	-	44,862	-	44,862
Loss for the period	-	-	-	-	(1,081)	-	(1,081)	-	(1,081)
At 30 September 2006	8,096	9,827	1,171	-	24,687	-	43,781	-	43,781
Cash received in excess of fair value of interest-bearing term loan from shareholders	-	-	-	-	-	1,966	1,966	-	1,966
Equity component of convertible notes (Note 15)	-	-	-	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)
Loss for the period	-	-	-	-	(42,733)	-	(42,733)	(761)	(43,494)
At 31 March 2007	8,096	9,827	172	152	(18,046)	1,966	2,167	-	2,167
Cash received in excess of fair value of interest-bearing term loan from shareholders	-	-	-	-	-	203	203	-	203
Conversion of the convertible notes	500	9,500	-	(152)	-	-	9,848	-	9,848
Issue of new shares	1,619	41,285	-	-	-	-	42,904	-	42,904
Share issuing expenses	-	(2,017)	-	-	-	-	(2,017)	-	(2,017)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	196	-	-	-	196	-	196
Loss for the period	-	-	-	-	(9,195)	-	(9,195)	-	(9,195)
At 30 September 2007	10,215	58,595	368	-	(27,241)	2,169	44,106	-	44,106
Reserves retained by:									
Company and subsidiaries		58,595	368	-	(25,356)	2,169	35,776	-	35,776
Associate		-	-	-	(1,885)	-	(1,885)	-	(1,885)
At 30 September 2007		58,595	368	-	(27,241)	2,169	33,891	-	33,891
Company and subsidiaries		9,827	1,171	-	24,610	-	35,608	-	35,608
Associate		-	-	-	77	-	77	-	77
At 30 September 2006		9,827	1,171	-	24,687	-	35,685	-	35,685

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Notes:

- (1) The share premium account of the Group includes (i) share issued at premium; and (ii) the differences 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 period ended 30 September 2007. For details, please refer to Note 14 to the financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(6,579)	1,347
Net cash used in investing activities	(11,018)	(399)
Net cash generated from/(used in) financing activities	<u>50,892</u>	<u>(52)</u>
Increase in cash and cash equivalents	33,295	896
Cash and cash equivalents at the beginning of the period	21,499	4,606
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>79</u>	<u>—</u>
Cash and cash equivalents at the end of the period	<u>54,873</u>	<u>5,502</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	12,500	5,502
Time deposits	<u>42,373</u>	<u>—</u>
	<u>54,873</u>	<u>5,502</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ³
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁴
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ⁵

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

⁵ Effective for annual periods beginning on or after 1 March 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 12	Service concession arrangements ²
HK(IFRIC) – INT 13	Customer loyalty programmes ³
HK(IFRIC) – INT 14	HKAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

3. SEGMENT INFORMATION

Business segments

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. For the six months ended 30 September 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.

An analysis of the Group's revenue and contribution to operating results by business segments for the period are as follows:

	Trading of fashion apparel (Unaudited) HK\$'000	Sales of fresh pork meat and related produce (Unaudited) HK\$'000	Property holding (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
External revenue	18,233	20,064	469	38,766
Segment results	(3,961)	637	251	(3,073)
Interest income and unallocated gains				1,338
Corporate and other unallocated expenses				(5,592)
Operating loss				(7,327)
Finance costs				(1,723)
Loss before taxation				(9,050)
Taxation				(145)
Loss for the period				(9,195)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

During the six months ended 30 September 2006, over 90% of the Group's revenue and results were derived from the trading segment engaged in the trading of fashion apparel. No revenue and results 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

The Group's operation are located in Hong Kong and the PRC.

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods and services:

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	20,533	–
The PRC, other than Hong Kong	18,233	21,540
	<u>38,766</u>	<u>21,540</u>

4. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of fashion apparels, 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:

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover:		
Sale of fashion apparel	18,233	21,540
Sale of fresh pork meat	20,064	–
Rental income	469	–
	<u>38,766</u>	<u>21,540</u>
Other revenue:		
Interest income	464	1
Sundry income	874	41
	<u>1,338</u>	<u>42</u>
Total revenue	<u>40,104</u>	<u>21,582</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. OPERATING LOSS

The Group's operating loss is stated after charging/(crediting):

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	26,770	11,458
Depreciation of property, plant and equipment	307	1,869
Minimum lease payments under operating leases for land and buildings	1,992	489
Exchange (gain)/loss	(7)	11
Fair value gain on financial assets	(580)	–
Fair value gain in respect of investment properties	(284)	–

6. FINANCE COSTS

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest element of finance lease rental payments	18	1
Effective interest on convertible notes wholly repayable within five years	55	–
Effective interest on interest-bearing term loans from shareholders wholly repayable within five years	1,650	–
	1,723	1

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. TAXATION

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group:		
Current – Hong Kong	145	–
Current – Mainland China	–	–
Total tax charge for the period	<u>145</u>	<u>–</u>

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 period. No provision for PRC income taxes has been made during the period as the subsidiaries operated in PRC had no assessable profit. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK\$9,195,000 (2006: HK\$1,081,000), and the weighted average number of 868,328,961 (2006: 809,600,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 September 2006 has not been disclosed as no diluting events existed during that period.

Diluted loss per share for the six months ended 30 September 2007 has not been disclosed as the convertible notes outstanding during the period had an anti-dilutive effect on the basic loss per share.

9. INVESTMENT PROPERTIES

	HK\$'000
Fair value:	
At 1 April 2007	11,720
Additions	10,566
Net increase in fair value	<u>284</u>
At 30 September 2007 (Unaudited)	<u>22,570</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. INVESTMENT PROPERTIES *(Continued)*

Investment properties were revalued at their open market values as at 30 September 2007 by BMI Appraisals 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 HK\$284,000 as at 30 September 2007, which has been credited 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 six months ended 30 September 2007 was approximately HK\$469,000 (30 September 2006: Nil). No contingent rental income was recognised during the period ended 30 September 2007.

The Group leases 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.

As at 30 September 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within one year	873	522
In the second to fifth years inclusive	<u>15</u>	<u>16</u>
	<u>888</u>	<u>538</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. INTERESTS IN AN ASSOCIATE

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Share of net assets	105	105
Less: Provision for impairment	<u>(105)</u>	<u>(105)</u>
	<u>–</u>	<u>–</u>
Loan advanced to an associate	6,761	6,752
Less: Provision for impairment	<u>(265)</u>	<u>(265)</u>
	<u>6,496</u>	<u>6,487</u>
	<u>6,496</u>	<u>6,487</u>

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.

11. INVENTORIES

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Raw material	2,989	1,891
Finished goods	<u>67,158</u>	<u>64,306</u>
	70,147	66,197
Less: Provision for obsolete inventories	<u>(45,680)</u>	<u>(45,680)</u>
	<u>24,467</u>	<u>20,517</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. 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 (31 March 2007: 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 at the balance sheet date, based on invoice date, is as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 90 days	7,165	8,487
91 to 180 days	5,270	5,586
Over 180 days	<u>48</u>	<u>15,640</u>
	12,483	29,713
Less: Accumulated impairment	<u>(5,560)</u>	<u>(17,216)</u>
	<u>6,923</u>	<u>12,497</u>

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

13. TRADE PAYABLES

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

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 90 days	1,709	2,892
91- 180 days	135	163
Over 180 days	<u>165</u>	<u>—</u>
	<u>2,009</u>	<u>3,055</u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. INTEREST-BEARING LOANS FROM SHAREHOLDERS

The loan with principal amount of HK\$24,000,000 (31 March 2007: HK\$20,000,000) from a shareholder, Gain Better, 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 principal amount of HK\$18,750,000 (31 March 2007: HK\$18,750,000) from a shareholder, Taco, is unsecured, carries interest at 6.5% per annum and is repayable not later than 4 January 2010. The effective interest rate of the loan is 8.45%.

15. CONVERTIBLE NOTES

On 24 January 2007, the Company issued 6.5% 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).

On 25 July 2007, the Company issued 6.5% convertible notes with a principal amount of HK\$7,000,000. 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 principal amounts of the convertible notes carried interest at 6.5% per annum and the convertible notes were fully converted into the Company's shares during the period.

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 have been split as to the liability and equity components, as follows:

	HK\$'000
Nominal value of convertible notes issued	3,000
Equity component	<u>(152)</u>
	2,848
Interest expense	44
Interest paid	<u>(36)</u>
Balance at 31 March 2007 and 1 April 2007	2,856
Nominal value of convertible notes issued	7,000
Interest expense	55
Interest paid	(63)
Conversion of convertible notes	<u>(9,848)</u>
Balance at 30 September 2007 (Unaudited)	<u>–</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. SHARE CAPITAL

	Number of shares	Amount (Unaudited) HK\$'000
Authorised:		
At 31 March 2007 and 1 April 2007		
Ordinary shares of HK\$0.01	2,000,000,000	20,000
Additions (<i>Note a</i>)	<u>18,000,000,000</u>	<u>180,000</u>
At 30 September 2007, ordinary shares of HK\$0.01	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 31 March 2007 and 1 April 2007		
Ordinary shares of HK\$0.01	809,600,000	8,096
Issue upon conversion of convertible notes (<i>Note b</i>)	50,000,000	500
Placing of shares (<i>Note c</i>)	<u>161,900,000</u>	<u>1,619</u>
At 30 September 2007, ordinary shares of HK\$0.01	<u>1,021,500,000</u>	<u>10,215</u>

Notes:

- (a) Pursuant to a special resolution passed on 13 September 2007, the authorised share capital of the Company was increased from HK\$20,000,000 to HK\$200,000,000 by creation of an additional 18,000,000,000 shares of the Company of HK\$0.01 each.
- (b) During the period, the holders of the 6.5% convertible notes with principal amount of HK\$10,000,000 were exercised at a conversion price of HK\$0.2 per conversion right, resulting in the issue of 50,000,000 ordinary shares in the Company.
- (c) On 6 August 2007, Gain Better entered into a placing agreement and a top-up subscription agreement with an independent placing agent and the Company, respectively. Pursuant to the above placing agreement, Gain Better agreed to place, through the placing agent, an aggregate of 161.9 million existing share of the Company, at a price of HK\$0.265 per share. Pursuant to the above top-up subscription agreement, Gain Better agreed to subscribe for an aggregate of 161.9 million new shares of the Company at a price of HK\$0.265 per share, the gross proceeds of which are approximately HK\$42.9 million.

Share option

Details of the Company's share option scheme are set out in the section "Share Option Scheme" of the interim report 2007.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. OPERATING LEASE ARRANGEMENTS

As lessee

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

As at 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within one year	3,600	4,200
In the second to fifth years, inclusive	<u>3,843</u>	<u>5,375</u>
	<u>7,443</u>	<u>9,575</u>

18. MATERIAL RELATED PARTY TRANSACTIONS

During the period, 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.

	For the six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Rental paid by the Group to Wang On Group Limited ("Wang On") and its subsidiaries	1,655	–
Interest on convertible notes paid by the Group to WYT and its subsidiaries	63	–
Interest on shareholder's loan paid by the Group to WYT and its subsidiaries	722	–
Interest on shareholder's loan paid by the Group to Taco	<u>612</u>	<u>–</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors during the period is as follows:

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	840	1,260
Employer contribution to pension scheme	21	24
	861	1,284

19. CAPITAL COMMITMENT

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

	As at	As at
	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Contracted but not provided for:		
Acquisition of property, plant and equipment	561	–
Acquisition of investment properties	3,398	657

20. CONTINGENT LIABILITIES

During the year ended 31 March 2007, the 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 assessment were held by 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 30 September 2007 and 31 March 2007.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following post balance sheet events:

- (i) On 6 August 2007, the Company respectively entered into (i) a placing agreement with an independent placing agent; and (ii) a subscription agreement with Gain Better.

Pursuant to the above placing agreement, the Company has conditionally agreed to allot and issue, and the placing agent has conditionally agreed to place 4,570 million new shares of the Company on a fully underwritten basis and 2,000 million new shares of the Company on a best efforts basis, in each case at a placing price of HK\$0.1 per share. The placing new shares under fully underwritten basis were completed on 5 October 2007 and the gross proceeds of HK\$457 million were raised.

Pursuant to the above subscription agreement, the Company has conditionally agreed to allot and issue, and Gain Better has conditionally agreed to subscribe for (i) 2,100 million new shares of the Company at a price of HK\$0.1 per share and (ii) the 3% Convertible Bonds with an aggregate principal amount of HK\$190 million which bear an interest rate of 3% per annum with a term of 5 years and at a conversion price of HK\$0.12 per conversion right. The transactions were completed on 5 October 2007 and the gross proceeds of HK\$400 million were raised.

- (ii) On 10 September 2007 and 27 September 2007, the Group entered into two provisional sale and purchase agreements with independent third parties to acquire two investment properties for a total consideration of HK\$3,656,000, of which, HK\$258,000 had been paid as a deposit by the Group prior to the balance sheet date. The outstanding balance of HK\$3,398,000 was included in the amount of capital commitments contracted, but not provided for, in note 19 to the financial statements. The acquisitions were completed on 29 October 2007 and 20 November 2007 respectively.
- (iii) In October, November and December 2007, the Group entered into eight provisional sale and purchase agreements with independent third parties to acquire eight investment properties for a total consideration of HK\$16,532,000, four of which were completed before the date of this report and the remaining will fall to be completed soon.
- (iv) On 13 September 2007, the Group entered into conditional sale and purchase agreement for the purchase of the entire issued share capital of Rich Fine Limited from Mr. Tang Ching Ho at a nominal consideration of HK\$1. Rich Fine Limited had entered into a Heads of Agreement with independent third party on 4 September 2007 to set up a joint venture company with charter capital of US\$32.8 million for the purpose of undertaking a property development project on the land site located in Vietnam. The acquisition was completed on 1 November 2007.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. POST BALANCE SHEET EVENTS *(Continued)*

- (v) On 15 October 2007, the Group entered into a sale and purchase agreement for the purchase of the entire issued share capital of Queen Success Investments Limited from Mr. Tang Ching Ho at a nominal consideration of HK\$1. Queen Success Investments Limited had entered into a Heads of Agreement with independent third party on 24 September 2007 to set up a joint venture company with charter capital of US\$3.06 million for the purpose of undertaking a property development project on the land site located in Binh Phuoc Province, Vietnam. The acquisition was completed on 30 October 2007.

- (vi) On 23 November 2007, the Group and Strength Investments Limited, an indirectly wholly-owned subsidiary of Wang On, a company listed on the Stock Exchange entered into an acquisition agreement with Mr. Chen Guido Ji-zhong, an independent third party. Each party will pay RMB11,250,000 to acquire 50% of the entire issued shares in Vast Time Limited, which is wholly owned by Mr. Chen Guido Ji-zhong. Vast Time Limited is an investment holding company which holds the entire equity interest in Fuzhou Wang On Property Development Co., Ltd, which will acquire a land in Fuzhou, Jiangxi Province, the PRC, to be developed into a residential and commercial complex.

22. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved by the Board of the Company on 12 December 2007.