



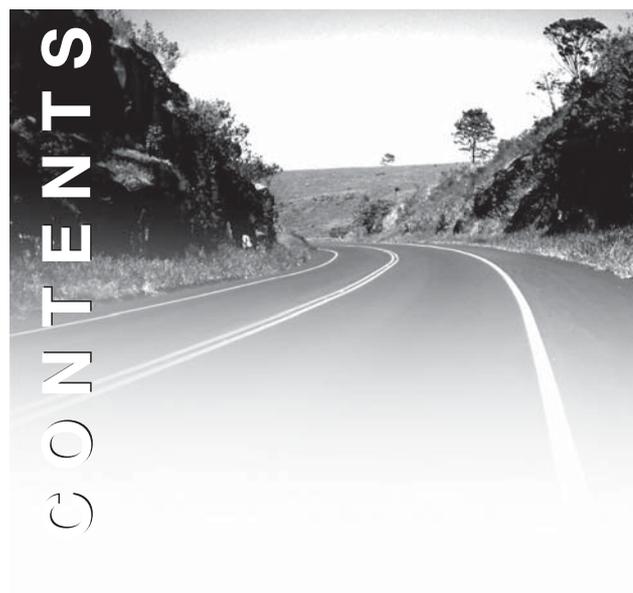
Chaoyue Group Limited

*(formerly known as Graneagle Holdings Limited)
(Incorporated in Bermuda with limited liability)*

(Stock Code: 00147)

ANNUAL REPORT 2008

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Yuen Leong

Independent Non-Executive Directors

Chen Ye

Chan Wai Dune

Lam Man Kit, Dominic

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Chung Yau Tong

AUDITOR

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

Chan Wai Dune (*Chairman*)

Chen Ye

Lam Man Kit, Dominic

REMUNERATION COMMITTEE

Lam Man Kit, Dominic (*Chairman*)

Chen Ye

Chan Wai Dune

NOMINATION COMMITTEE

Chen Ye (*Chairman*)

Chan Wai Dune

Lam Man Kit, Dominic

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2302, 23rd Floor

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke, HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited

26/F, Tesbury Centre

28 Queen's Road East

Hong Kong

STOCK CODE

00147

COMPANY WEBSITE

www.chaoyuehk.com



Management's Statement

We are pleased to present to our shareholders the annual report of Chaoyue Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended March 31, 2008.

FINANCIAL RESULTS

The result of the current year was mainly contributed by the garment business of the Group. The Group's consolidated turnover for the year ended March 31, 2008 amounted to approximately HK\$178,096,000 (2007: HK\$161,850,000), representing an increase of 10.04% from last year and such increase was due to the increase in sales volume to the Group's customers in the United States. Despite the increase in turnover, the Group's gross profit margin in current year decreased from 15.22% in 2007 to 13.71% in the current year and the profit from operating activities decreased by 8.60% as compared with 2007. The decrease in gross profit for the current year was mainly attributable to the substantial increase in the subcontracting charges for garment manufacturing in China. The decrease in profit from operation for the current year was caused by the significant increase in the administrative expenses, such as a 11.04% increase in staff costs (including directors' emoluments) from HK\$4,485,000 for the last year to HK\$4,980,000 for the current year and a six times increase in professional fees from HK\$220,000 for last year to HK\$1,390,000 for the current year. The sharp rise in professional fees was due to legal and professional advisers' fee was incurred for the Group's corporate exercises carried out during the year.

The Group's profit before taxation is further decreased to HK\$13,669,000 in current year. The reason for the decline is mainly due to the HK\$5,021,000 finance costs incurred for the HK\$36,000,000 secured loan in a subsidiary and the HK\$184,500,000 convertible bonds in the Company. The financial costs significantly offset the gain from change in fair value of derivative financial instruments embedded in the convertible bonds, which amounted to HK\$3,405,000, and the gain amounted to HK\$755,000 resulted from the disposal of a wholly-owned subsidiary, Gentech (Asia) Limited, in May 2007.

Basic earnings per share for the current year decreased to 5.74 HK cents as a result of the decrease in earnings as mentioned above and increase in number of issued shares as a result of the subscription of 170,000,000 shares by Long Grand Limited ("Long Grand") during the year. In view of the issuance of convertible bonds during the current year, there exists a potential dilutive effect on the earnings per share of the Company. The diluted earnings per share of the Company for current year is 1.95 HK cents.



Management's Statement

FINANCIAL POSITION AND LIQUIDITY

The financial position of the Group improve significantly in current year. The cash and cash equivalents of the Group as at March 31, 2008 amounted to HK\$265,532,000 (2007: HK\$44,182,000). The Group's working capital as to March 31, 2008 increased substantially to HK\$227,777,000 as compared to HK\$83,732,000 as of last year end.

As at March 31, 2008, the Group had outstanding zero-coupon convertible bonds with repayable principal amount of HK\$184,500,000 and a loan of HK\$36,000,000, which was interest bearing at 1% per month payable monthly with the principal amount payable on March 9, 2009 and secured by the shares of a subsidiary of the Group. The gearing ratio of the Group, which is expressed as a percentage of total borrowings (outstanding repayable principal balance of the convertible bonds and the other loan) to shareholders' funds, increased from zero in 2007 to 3.15 for the current year. The management considered that the gearing ratio will return to normal level after the convertible bonds are converted in the future.

Since the majority of the Group's transactions, monetary assets and liabilities are denominated in Hong Kong dollars and US dollars, with relatively stable Hong Kong's linked exchange rate between United States dollar and Hong Kong dollar, the Group's exposure to foreign currency risk is insignificant.

CAPITAL STRUCTURE

On November 14, 2007, the Company entered into an agreement ("Subscription Agreement") with Long Grand. Pursuant to the Subscription Agreement, the Company issued to Long Grand 170,000,000 ordinary shares at HK\$0.15 each ("Subscription Shares") and two-year zero coupon convertible bonds ("Subscription Bonds") in an aggregate amount of HK\$124,500,000, which are convertible into shares at an initial conversion price of HK\$0.15 per share (subject to adjustments) with the unlisted warrants of the Company ("Subscription Warrants") (in proportion of one Subscription Warrant for every four new shares to be issued upon the exercise of the conversion rights attaching to the Subscription Bonds) attached conferring right to subscribe up to HK\$31,125,000 in aggregate in cash for new shares at an initial subscription price of HK\$0.15 per share (subject to adjustments).

On November 14, 2007, the Company also entered into an agreement ("Placing Agreement") with Emperor Securities Limited (the "Placing Agent"). Pursuant to the Placing Agreement, the Placing Agent placed two-year zero coupon convertible bonds ("Placing Bonds") with an aggregate principal amount of HK\$60,000,000, which are convertible into new shares at an initial conversion price of HK\$0.15 per share (subject to adjustments) with the unlisted warrants of the Company ("Placing Warrants") (in proportion



Management's Statement

of one Placing Warrant for every four new shares to be issued upon the exercise of the conversion rights attaching to the Placing Bonds) attached conferring rights to subscribe up to HK\$15,000,000 in aggregate in cash for new shares at an initial subscription price of HK\$0.15 per share (subject to adjustments).

No Subscription Bonds or Placing Bonds had been converted before March 31, 2008. The total issued share capital of the Company increased to 337,031,016 shares as at March 31, 2008 as a result of the subscription of the Subscription Shares by Long Grand.

EMPLOYMENT AND REMUNERATION POLICY

As at March 31, 2008, the Group employed 17 employees, whose salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include mandatory provident fund and an education subsidy to encourage staff's professional development. The Group also has a discretionary share option scheme in place designed to award employees for their performance. There was no share option granted to any employee during the year.

FUTURE PLAN AND PROSPECTS

The financial year ended March 31, 2008 has been a period of major transition for the Group. The controlling shareholder of the Company was changed in September 2007 upon completion of the acquisition of 81,246,188 shares (represented 48.64% of the then issued shares) of the Company by Rich Wing Investments Limited ("Rich Wing") and the board composition was changed in October 2007. Subsequently in November 2007, Long Grand entered into an agreement with Rich Wing to acquire 81,246,188 shares owned by Rich Wing and made a general offer ("Offer") to acquire the shares of the Company. The Company also entered into the Subscription Agreement with Long Grand and the Placing Agreement with the Placing Agent involving the issue of the Subscription Shares, the Subscription Bonds and the Placing Bonds. As a result of these transactions, Long Grand became the controlling shareholder of the Company, after which the Company's name was changed to Chaoyue Group Limited with the appointment of new board members.

Although the Group had undergone such changes in the shareholding structure in the second half of the financial year ended March 31, 2008, the operation of the existing garment business has not been affected, as mature systems have been established and the staff who manage the operation of this business is relatively stable.



Management's Statement

In October 2007, the Group entered into a non-legally binding letter of intent with Harbin Ai Da Investment Limited (哈爾濱愛達投資置業有限公司), an independent third party, to form a joint venture with registered capital of RMB300 million to undertake property development and sale in China, of which the Group shall contribute 55% (i.e. RMB165 million). In view of the downturn of the property market in PRC recently, no concrete plan on the development of the joint venture has been formulated.

With (1) the disposal of Gentech (Asia) Limited in May 2007 which is engaged in non-core business of the development, production and distribution of health food and supplement products in PRC; (2) the injection of approximate HK\$208 million cash as working capital and investment fund after the introduction of new controlling shareholder and investors; and (3) appointment of new board members to the Company, the Board believes solid foundation is laid for the Group's future development.

Apart from the Group's existing garment business, the Board, with their professional expertise and experience, is also looking for new business opportunities so as to diversify the business scope of the Group. The Board will seek to secure investment projects with high growth potential in order to maximize the value of the Company for our shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board

Chaoyue Group Limited

Yuen Leong

Director

Hong Kong, June 20, 2008



Biographical Details of Directors

YUEN LEONG

Executive Director

Mr. Yuen Leong, aged 50, was appointed as an Executive Director of the Company on January 1, 2008. Mr. Yuen holds a master degree in mechanical engineering from the Shanghai Jiao Tong University and was a senior research analyst of 福建省研究發展中心 (Fujian Provincial Research and Development Center) from 1985 to 1991. Mr. Yuen is a director of Origin Seed Technology Inc., a company listed on Nasdaq. Mr. Yuen has over ten years of experience in corporate management and operation.

CHEN YE

Independent Non-Executive Director

Ms. Chen Ye, aged 78, was appointed as an Independent Non-Executive Director of the Company on January 1, 2008. Ms. Chen holds a bachelor degree in architecture from 東北工學院 (Northeast Industrial College) (now Northeastern University) and is currently the senior consultant to 全國十八城市土地管理廳局長聯席會 (the Joint Committee of Ministers of Land Administration Bureau from 18 cities of the state). Ms. Chen has held various senior positions in government departments in the PRC, including as the Senior Planner, Architect and Deputy Chief of 國家建委城建總局·建設部·規劃局 (the Ministry of National Planning Bureau, Ministry of Construction); and the Deputy Chief of 國家土地管理局 (現合併為國土資源部) (The State Land Administration Bureau) (now Ministry of Land and Resources).

CHAN WAI DUNE

Independent Non-Executive Director

Mr. Chan Wai Dune, aged 55, was appointed as an Independent Non-Executive Director of the Company on January 1, 2008. Mr. Chan has over 27 years of experience in the finance sector, particularly in auditing and taxation areas. He is a certified public accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Chan is currently a member of the Chinese People's Political Consultative Conference of the Guangzhou Municipal Committee and a member of the Executive Council of China Overseas Friendship Association. Mr. Chan was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently the Managing Director of CCIF CPA Limited and serves as independent non-executive directors for various listed companies in Hong Kong.



Biographical Details of Directors

LAM MAN KIT, DOMINIC Independent Non-Executive Director

Dr. Lam Man Kit, Dominic, aged 60, was appointed as an Independent Non-Executive Director of the Company on January 1, 2008. Dr. Lam is the Chairman of the World Eye Organization. Dr. Lam obtained a doctorate degree in Medical Biophysics in 1970. He was appointed as Assistant Professor at Harvard Medical School and subsequently Professor of Biotechnology and Ophthalmology at Baylor College of Medicine. In 1988, Dr. Lam was invited to be the Founding Director of the Hong Kong Institute of Biotechnology. In 1990, Dr. Lam was appointed a member of the US President's Committee on the Arts and Humanities and awarded the KPMG Peat Marwick's High Tech Entrepreneur of the Year. Since January 2003, Dr. Lam was an independent non-executive director of New World TMT Limited, a company previously listed on the main board of the Stock Exchange and was privatized in March 2006. Dr. Lam is currently the director and chairman of New Legend Group Ltd., a company listed in Toronto Venture Exchange, Canada.



Corporate Governance Report

The Board of the Company is committed to promote good corporate governance to safeguard the interests of shareholders. The Company set out its corporate governance practices by reference to the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the CG Code for the year ended March 31, 2008, except for the deviation with explanation disclosed below.

DIRECTORS

The Board

The Board is responsible for formulating the goal and strategies, monitoring the business performance and approving investment proposals of the Group. The daily operations of the Group are delegated to the management of the Group.

The Board currently comprises four members. One Executive Director, namely: Mr. Yuen Leong; and three Independent Non-Executive Directors, namely: Ms. Chen Ye, Mr. Chan Wai Dune and Dr. Lam Man Kit, Dominic.

The biographical details of the Board members are set out on pages 7 and 8 of this Annual Report.

Corporate Governance Report

The Board met 25 times during the year ended March 31, 2008 and the attendance records are as follows:

		Number of Attendance
		<i>(note)</i>
Executive Directors		
Mr. Yuen Leong	(appointed on January 1, 2008)	5/5
Ms. Fan Man Seung, Vanessa	(appointed on October 16, 2007 and resigned on January 21, 2008)	11/11
Mr. Wong Chi Fai	(appointed on October 16, 2007 and resigned on January 21, 2008)	11/11
Mr. Ling Tai Yuk, John	(resigned on October 16, 2007)	1/9
Mr. Kong Ho Pak	(resigned on October 16, 2007)	9/9
Mr. Pang Hon Chung	(resigned on October 16, 2007)	8/9
Non-Executive Directors		
Mr. Chau Wai Yin, Jonathan	(retired on August 23, 2007)	0/3
Mr. Ng Tze Kin, David	(resigned on October 16, 2007)	3/9
Independent Non-Executive Directors		
Ms. Chen Ye	(appointed on January 1, 2008)	5/5
Mr. Chan Wai Dune	(appointed on January 1, 2008)	5/5
Dr. Lam Man Kit, Dominic	(appointed on January 1, 2008)	5/5
Mr. Law Ka Ming, Michael	(appointed on October 16, 2007 and resigned on January 21, 2008)	3/11
Ms. Yip Kam Man	(appointed on October 16, 2007 and resigned on January 21, 2008)	5/11
Mr. Keir, James	(resigned on October 16, 2007)	6/9
Mr. Lee Tsoh Ching, Jonathan	(resigned on October 16, 2007)	8/9
Mr. Leung Shu Yin, William	(resigned on January 21, 2008)	13/20

Note: The denominator represent the number of Board meeting held in the tenor of service of the director.



Corporate Governance Report

During the year, not less than 14 days notice is given for a regular board meeting. Directors are welcomed to include matters to be discussed in the agenda before the meetings. The Directors have to declare their interests in the subject matters to be considered in the relevant meeting and the director, who or whose associates have any interest in any proposed resolution, must abstain from voting and will not be counted in quorum.

Minutes of each Board meeting will be drafted by the Company Secretary to record the matters discussed and decision resolved at Board meetings and will be circulated to the Board for comment within a reasonable time after each meeting. The final Board minutes are kept by the Company Secretary and available for inspection by Directors.

Directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the expenses of the Company. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

Chairman and Chief Executive Officer

Under Code Provision A.2.1 of the CG Code, the roles and responsibilities of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Kong Ho Pak and Mr. Ling Tai Yuk, John were the Chairman and Chief Executive Officer of the Company respectively before their resignation on 16 October 2007. The Company has not appointed individuals to take up the title of Chairman and Chief Executive Officer since their resignation. Currently, Mr. Yuen Leong serves the role of chairman of the Board and the chief executive officer of the Company. Since the role of chief executive officer/general manager of the Company's major operating subsidiaries are performed by other persons and they are directly accountable to the Board, the Board believes that the existing arrangement is adequate.

Depending on the future development of the business of the Company, eventually the Board will actively consider the issue of nominating appropriate candidates to take up the title of Chairman and Chief Executive Officer.

Mr. Yuen, who took the chair of most Board meetings, will ensure that all Directors are properly briefed on issues arising at the Board meetings and they receive adequate information and materials in a timely manner.



Corporate Governance Report

Board composition

All Directors, including the Independent Non-Executive Directors, are expressly identified in all corporate communications where directors have been mentioned.

Throughout the year, the number of Independent Non-Executive Directors in the Board is kept at three which represent more than one-third of the Board in order to maintain a strong independent element on the Board, which can exercise independent judgment and ensure balance of power and authority.

The Company received, from each of the existing Independent Non-Executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is satisfied with the independence of the Independent Non-Executive Directors.

Appointments, re-election and removal

In selecting and approving candidate for directorship, the Board will consider various criteria such as education, qualification, experience, integrity and the potential contribution to the Group. A newly appointed Director must be able to meet the standards as set out in Rules 3.08 and 3.09 of the Listing Rules. For Independent Non-Executive Directors, the candidates should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Directors appointed to fill a causal vacancy are subject to election by shareholders at the next annual general meeting after their appointment and every Director is subject to retirement by rotation at least once every three years.

All existing Directors were appointed at January 1, 2008 and subject to election by shareholders at the coming annual general meeting.

All Independent Non-Executive Directors have entered into service contracts with definite terms of services for three years.



Corporate Governance Report

Responsibilities of directors

Every newly appointed Director of the Company will receive a comprehensive, formal induction to ensure each of them has proper understanding of the structure, operation and business of the Group and aware of the responsibilities as a director under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Group. All Directors understand that they should give sufficient time and attention to the affairs of the Company.

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All existing Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year.

Supply of and access of information

The Board and its committees will be supplied with adequate, complete and reliable information in a timely manner to enable them to make informed decisions. All Directors have separate and independent access to senior management and entitled to have access to board papers and related materials. During the year, the agenda and accompanying relevant materials are sent in full to all Directors at least 3 days before date of the regular board meeting.



Corporate Governance Report

BOARD COMMITTEES

The Board is supported by three committees with defined role and responsibilities for each committee. They are Remuneration Committee, Nomination Committee and Audit Committee. All committees were set up with a written terms of reference to deal clearly with its authority and duties. The committees will report their finding and decision and make necessary recommendations to the Board. Minutes of the committee meetings will be drafted by the Company Secretary and circulated for the comment of the members of the committee within a reasonable time. The final version of the committee minutes will be kept by the Company Secretary and such minutes are open for inspection by any Director.

(a) Remuneration Committee

The Remuneration Committee was established in May 2005 with terms of reference substantially the same as those contained in paragraph B.1.3 of the CG Code. It is responsible for overseeing the establishment and operation of formal and transparent procedures for developing the remuneration packages of Directors and senior management. It also provides effective supervision and administration of the Company's share option schemes.

The Company's objectives for its remuneration policy are to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to Directors and senior management, market rates, director's workload and responsibilities and general economic situation would be taken into consideration.

The Remuneration Committee has held one meeting during the year ended March 31, 2008 to review the remuneration packages of the Executive Directors of the Company and make recommendation to the Board.

The existing Remuneration Committee comprises three Independent Non-Executive Directors, namely Dr. Lam Man Kit, Dominic (Chairman of the Remuneration Committee), Ms. Chen Ye and Mr. Chan Wai Dune. No Remuneration Committee meeting held since their appointment on January 1, 2008 in the year ended March 31, 2008.



Corporate Governance Report

(b) Nomination Committee

The Nomination Committee was established in May 2005 with terms of reference substantially the same as those contained in paragraph A.4.5 of the CG Code. It is responsible for reviewing the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes. The committee's authorities and duties are set out in written terms of reference and are available on request.

The Committee's objectives are to ensure formal, fair and transparent procedures for the new appointment and re-appointment of directors to the Board.

The Nomination Committee has held one meeting in the year ended March 31, 2008 to review the structure, size and composition of the Board and consideration of the independence of all the Independent Non-Executive Directors.

The existing Nomination Committee comprises three Independent Non-Executive Directors, namely Ms. Chen Ye (Chairman of Nomination Committee), Mr. Chan Wai Dune and Dr. Lam Man Kit, Dominic. No Nomination Committee meeting held since their appointment on January 1, 2008 in the year ended March 31, 2008.

(c) Audit Committee

The Company established the Audit Committee in December 1999 and has adopted a written terms of reference substantially the same as those contained in paragraph C.3.3 of the CG Code.

The principal duties of the Audit Committee include, among other things, oversight of the relationship with external auditors, review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures.

The Audit Committee held two meetings in the year ended March 31, 2008 for reviewing and considering the annual results of the Group for the year ended March 31, 2007 and the interim results of the Group for the six months ended September 30, 2007, discussing with the auditor of the Company on internal control, auditor's independence, auditor's remuneration, approving the scope of work for the internal control system review and reviewing the continuing connected transactions of the Group.



Corporate Governance Report

The existing Audit Committee comprises of three Independent Non-executive Directors, namely Mr. Chan Wai Dune (Chairman of Audit Committee), Ms. Chen Ye and Dr. Lam Man Kit, Dominic, and none of whom is a former partner of the Company's existing auditing firm. Mr. Chan Wai Dune, has the appropriate professional qualification, accounting or related financial management expertise. No Audit Committee meeting held since their appointment on January 1, 2008 in the year ended March 31, 2008.

Pursuant to the Bye-laws of the Company, the terms of appointment of the auditors of the Company will expire at the end of the forthcoming annual general meeting. In a meeting held after the year ended March 31, 2008, the Audit Committee has recommended for the re-appointment of Deloitte Touche Tohmatsu as the external auditor of the Company. The recommendation was agreed by the Board and will be put forward for the approval of the shareholders at the forthcoming annual general meeting.

ACCOUNTABILITY AND AUDIT

Financial reporting

Management provides explanation and relevant materials to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The statement of the Auditor of the Company about their responsibilities on the financial statement of the Group is set out in the Independent Auditor's Report on pages 30 and 31.

The Board is responsible for presenting a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosure required under regulatory requirements.

The Directors confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.





Corporate Governance Report

Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. The Company have engaged a professional conducted a review of the effectiveness of the system of internal control of the major operating subsidiaries of the Group including recommendations to enhance the overall internal control system for the year ended March 31, 2008. The internal control review report has been approved by Audit Committee and the Board. Based on information furnished to it and on its own observations, the Board is satisfied with the present internal controls system.

Auditor's remuneration

For the year ended March 31, 2008, the Group's external auditors provided the following services to the Group:

	HK\$'000
Audit Services	550
Taxation	35
<hr/>	
	585



Corporate Governance Report

SHAREHOLDERS RELATIONS

The Company has established various communications channels to facilitate communication with shareholders including sending of interim and annual reports, circulars for special transactions and posting of announcements on the websites of the Stock Exchange and the Company. Registered shareholders are notified by post of the shareholders' meetings. The shareholders' meetings of the Company provide a useful forum for shareholders to raise comments and exchange views with the Board. The Board welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management directly.

To ensure the shareholders know their right for demanding a poll, the procedures for demanding and conducting a poll is disclosed in all Company's circulars to shareholders accompanying the notice of general meetings and these procedures will be explained by the Chairman of general meetings at the commencement of the meetings.

On behalf of the Board

Chaoyue Group Limited

Yuen Leong

Director

Hong Kong, June 20, 2008



Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended March 31, 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 27 to the consolidated financial statements.

CHANGE OF COMPANY'S NAME

By a special resolution passed by the shareholders of the Company on May 9, 2008, the name of the Company was changed from "Graneagle Holdings Limited" to "Chaoyue Group Limited 超越集團有限公司". The Chinese name being "鷹馳實業有限公司" which was adopted for identification purpose, was no longer be adopted.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2008 are set out in the consolidated income statement on page 32.

The directors do not recommend the payment of final dividend for the year ended March 31, 2008.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 19 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 11 to the consolidated financial statements.



Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2008 are as follows:

	2008	2007
	HK\$'000	HK\$'000
– Contributed surplus	–	730
– Accumulated profits	27,955	54,989
	27,955	55,719

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due;
or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.



Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Yuen Leong	(appointed on January 1, 2008)
Fan Man Seung, Vanessa	(appointed on October 16, 2007 and resigned on January 21, 2008)
Wong Chi Fai	(appointed on October 16, 2007 and resigned on January 21, 2008)
Ling Tai Yuk, John	(resigned on October 16, 2007)
Kong Ho Pak	(resigned on October 16, 2007)
Pang Hon Chung	(resigned on October 16, 2007)

Independent non-executive directors:

Che Ye	(appointed on January 1, 2008)
Chan Wai Dune	(appointed on January 1, 2008)
Lam Man Kit, Dominic	(appointed on January 1, 2008)
Law Ka Ming, Michael	(appointed on October 16, 2007 and resigned on January 21, 2008)
Yip Kam Man	(appointed on October 16, 2007 and resigned on January 21, 2008)
Keir, James	(resigned on October 16, 2007)
Lee Tsoh Ching, Jonathan	(resigned on October 16, 2007)
Leung Shu Yin, William	(resigned on January 21, 2008)

Non-executive directors:

Chau Wai Yin, Jonathan	(retired on August 23, 2007)
Ng Tze Kin, David	(resigned on October 16, 2007)



Directors' Report

Pursuant to Bye-Law 86(2) of the Bye-Laws of the Company, any directors of the Company appointed by the board either to fill casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus Mr. Yuen Leong, Ms. Chen Ye, Mr. Chan Wai Dune and Dr. Lam Man Kit, Dominic who were appointed as directors of the Company pursuant to Bye-Law 86(2) shall retire at the forthcoming annual general meeting of the Company. Each of Mr. Yuen Leong, Ms. Chen Ye, Mr. Chan Wai Dune and Dr. Lam Man Kit, Dominic, being eligible, have offered themselves for re-election as directors of the Company.

No director of the Company proposed for re-election at the forthcoming annual general meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme (the "Scheme") adopted on September 17, 2004 by a resolution passed by the Company's shareholders on September 17, 2004, the directors of the Company may grant options as incentives to any directors or full-time employees of the Company or any of its subsidiaries for the shares in the Company within a period of ten years commencing from September 17, 2004. No options have been granted under the Scheme since its adoption.

Details of the Scheme is set out in note 24 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.



Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

At March 31, 2008, the interests of the directors and their associates in the shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yuen Leong	Indirect beneficial owner through interests in shares of an associated corporation (<i>Note</i>)	251,247,388	74.55%

Note: Mr. Yuen Leong held 30% shareholding in Long Grand Limited, which is the beneficial owner of the 251,247,388 shares. Long Grand Limited also held convertible bonds in the amount of HK\$124,500,000 which are convertible into 830,000,000 new shares at an initial conversion price of HK\$0.15 per share (subject to adjustments) with warrants (one warrant for every four new shares to be issued upon conversion of the convertible bonds) attached conferring right to subscribe up to 207,500,000 new shares at an initial subscription price of HK\$0.15 per share (subject to adjustments).

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at March 31, 2008.



Directors' Report

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

At March 31, 2008, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name	Interest in shares <i>(note)</i>	Nature of interest	Percentage of the Company's issued share capital
Long Grand Limited	251,247,388	Direct beneficial owner	74.55
Yam Yu	251,247,388	Indirect beneficial owner through a controlled corporation	74.55

Note: Mr. Yam Yu held 70% shareholding in Long Grand Limited. Long Grand Limited also held convertible bonds in the amount of HK\$124,500,000 which are convertible into 830,000,000 new shares at an initial conversion price of HK\$0.15 per share (subject to adjustments) with warrants (one warrant for every four new shares to be issued upon conversion of the convertible bonds) attached conferring right to subscribe up to 207,500,000 new shares at an initial subscription price of HK\$0.15 per share (subject to adjustments).

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at March 31, 2008.



Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid office rental charges amounting to HK\$447,396 to Crown Regent Enterprise Limited, a company in which Mr. Ling Tai Yuk, John who resigned as a director of the Company on October 16, 2007, has a beneficial interest and motor vehicle rental charges amounting to HK\$78,000 to Mr. Ling Tai Yuk, John.

During the year, the Company paid a consultancy fee of HK\$60,000 to Yin Ping Corporate Services Ltd., a company in which Mr. Pang Hon Chung's spouse and brother have controlling and beneficial interests. Mr. Pang Hon Chung resigned as a director of the Company on October 16, 2007.

In addition, the Company also paid a consultancy fee of HK\$50,000 to Great Wall Internal Audit Services Limited, companies in which Mr. Ng Tze Kin, David has controlling and beneficial interest. Mr. Ng Tze Kin, David resigned as a director of the Company on October 16, 2007.

Save as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

In accordance with rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), during the year ended March 31, 2008, Mr. Ling Tai Yuk, John, who resigned as a director of the Company on October 16, 2007, is deemed to have an interest in a business that may compete with the subsidiaries of the Company in the garment industry, as mentioned below:

1. He is a director and a substantial shareholder of Casual Center Garment Industries Limited ("Casual Center"), which is engaged in the manufacture and trading of garments;
2. He is a director of Pace Fashion Industries Limited ("Pace Fashion"), the principal activities of which are the leasing of properties to companies engaged in the manufacture of garments, the trading of garments and the design and sale of sample garment products; and



Directors' Report

3. He is the sole proprietor of Progressive Industries which is engaged in the trading of fabric and garments.

The directors is satisfied that there are sufficient internal controls to ensure that the Group is capable of carrying on its business independent of, and at arm's length from, Casual Center, Pace Fashion and Progressive.

Save as disclosed above, non of the directors of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions and arrangements with connected persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company:

- (1) The Company entered into a tenancy agreement with Crown Regent Enterprise Limited ("the Landlord") to lease the Property (Suite 1114, Lippo Sun Plaza, 28 Canton Road, Kowloon, Hong Kong) on December 22, 2006 with tenor of 1 year from January 1, 2007 to December 31, 2007 at a monthly rental of HK\$74,566 in cash for its office. The Landlord is an associate of Mr. Ling Tai Yuk, John ("Mr. Ling"), who resigned as a director of the Company on October 16, 2007. The tenancy agreement was terminated on September 30, 2007. The rental payment to the Landlord by the Company was HK\$447,396 during the year.
- (2) On October 22, 2007, Koniko Company Limited ("Koniko") a wholly-owned subsidiary of the Company, entered into a tenancy agreement with the Landlord to lease the Property with a tenor from October 22, 2007 to March 31, 2008 at a monthly rental of HK\$84,292 in cash. There is an option granted to Koniko to renew the tenancy for a further term of 6 months at a rental mutually agreed between the Landlord and Koniko. Mr. Ling is a director of Koniko and Koniko continue to use the Property as its office for the garment business. During the year, Koniko paid rental approximately HK\$448,651 to the Landlord.



Directors' Report

- (3) A motor vehicle leasing agreement for the motor vehicle (Nissan Infiniti with sunroof 4494 c.c. (2001)) was entered between Mr. Ling as Lessor and the Company as Lessee on March 13, 2007 for a term of one year (March 16, 2007 to March 15, 2008) at a monthly leasing charge of HK\$13,000. The motor vehicle was used for the Company's businesses. This motor vehicle leasing agreement was terminated on September 30, 2007 and the Company paid leasing charge of HK\$78,000 to Mr. Ling during the year.

- (4) On November 14, 2007, the Company entered into an agreement ("Placing Agreement") with Emperor Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent placed two-year zero coupon convertible bonds with an aggregate principal amount of HK\$60,000,000. The placing commission charged by the Placing Agent was Hk\$1,200,000. The Placing Agent is a wholly-owned subsidiary of Emperor Capital Group Limited. Approximately 45.09% of the shares of Emperor Capital Group Limited are owned by the Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Albert Yeung, who was the beneficial owner of the Company at the date the Placing Agreement entered into.

All Independent Non-Executive Directors of the Company have reviewed the above continuing connected transactions as set out in paragraphs (1) to (3) above (the "Continuing Connected Transactions") and confirmed that the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Company, on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed-upon procedures in respect of the Continuing Connected Transactions of the Group. The auditor has reported their factual findings on these procedures to the board of directors as to whether the Continuing Connected Transactions:

- (a) have been approved by the board of directors; and

- (b) have been entered into in accordance with the terms of the relevant agreement governing such transactions.



Directors' Report

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased and sold any of the Company's listed securities. The Company did not redeem any of the Company's listed securities during the year.

OTHER BORROWING AND CONVERTIBLE BONDS

Particular of other borrowing and convertible bonds of the Group as at March 31, 2008 are set out in notes 16 and 18 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 25 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

Principal corporate governance policies adopted by the Company are set out in the Corporate Governance Report on pages 9 to 18.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended March 31, 2008.



Directors' Report

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the Independent Non-Executive Director, an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considered all of the Independent Non-Executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended March 31, 2008:

1. The Group's largest customer and five largest customers accounted for approximately 100% (2007: 97%) and 100% (2007: 100%) respectively of the Group's total turnover for the year.
2. The Group's largest supplier and five largest suppliers accounted for approximately 14.7% (2007: 26.1%) and 43.3% (2007: 45.1%) respectively of the Group's total purchases for the year.

According to the understanding of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year.

AUDITOR

The financial statements for the year ended March 31, 2008 have been audited Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chaoyue Group Limited

Yuen Leong

Director

Hong Kong, June 20, 2008



Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF CHAOYUE GROUP LIMITED

超越集團有限公司

(FORMERLY KNOWN AS GRANEAGLE HOLDINGS LIMITED)

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chaoyue Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 77, which comprise the consolidated balance sheet as at March 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's 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, in accordance with section 90 of the Bermuda Companies Act, 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.



Independent Auditor's Report

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at March 31, 2008 and of the Group's profit 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

June 20, 2008

Consolidated Income Statement

For the year ended March 31, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Turnover		178,096	161,850
Cost of sales		(153,671)	(137,213)
Gross profit		24,425	24,637
Other income		2,279	2,167
Distribution and selling expenses		(938)	(1,485)
Administrative expenses		(11,236)	(9,422)
Profit from operating activities		14,530	15,897
Finance costs		(5,021)	–
Changes in fair value of derivative financial instruments	18	3,405	–
Gain on disposal of subsidiaries	21	755	–
Profit before taxation		13,669	15,897
Taxation	7	(1,426)	(1,341)
Profit for the year	8	12,243	14,556
Earnings per share – basic	10	5.74 HK cents	8.71 HK cents
– diluted		1.95 HK cents	N/A



Consolidated Balance Sheet

At March 31, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Non-current asset			
Property, plant and equipment	11	2,374	2,769
Current assets			
Inventories	12	25,118	30,715
Trade and other receivables	13	14,771	18,190
Pledged bank deposit	23	–	9,040
Bank balances and cash	14	265,532	44,182
		305,421	102,127
Current liabilities			
Trade and other payables	15	18,984	18,311
Taxation payable		429	84
Other borrowing – secured	16	36,000	–
Derivative financial instruments	18	22,231	–
		77,644	18,395
Net current assets		227,777	83,732
Total assets less current liabilities		230,151	86,501
Non-current liability			
Deferred taxation	17	19	62
Convertible bonds	18	160,209	–
		160,228	62
Net assets		69,923	86,439



Consolidated Balance Sheet

At March 31, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Capital and reserves			
Share capital	19	3,370	1,670
Reserves		66,553	84,769
Total equity		69,923	86,439

The financial statements on pages 32 to 77 were approved and authorised for issue by the Board of Directors on June 20, 2008 and are signed on its behalf by:

Yuen Leong

DIRECTOR

Chan Wai Dune

DIRECTOR



Consolidated Statement of Changes in Equity

For the year ended March 31, 2008

	Share capital	Share premium	Contributed surplus <i>(note 20)</i>	Capital redemption reserve	Translation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At April 1, 2006	1,670	-	57,396	3,781	208	13,353	76,408
Exchange difference arising on translation of foreign operations, recognised directly in equity	-	-	-	-	486	-	486
Profit for the year	-	-	-	-	-	14,556	14,556
Total recognised income for the year	-	-	-	-	486	14,556	15,042
Dividend paid	-	-	(5,011)	-	-	-	(5,011)
At March 31, 2007 and April 1, 2007	1,670	-	52,385	3,781	694	27,909	86,439
Exchange difference arising on translation of foreign operations, recognised directly in equity	-	-	-	-	101	-	101
Transfer to profit or loss on disposal of foreign operations	-	-	-	-	(795)	-	(795)
Profit for the year	-	-	-	-	-	12,243	12,243
Total recognised income for the year	-	-	-	-	(694)	12,243	11,549
Dividend paid	-	-	(730)	-	-	(52,720)	(53,450)
Issue of shares	1,700	23,800	-	-	-	-	25,500
Issuing cost	-	(115)	-	-	-	-	(115)
At March 31, 2008	3,370	23,685	51,655	3,781	-	(12,568)	69,923



Consolidated Cash Flow Statement

For the year ended March 31, 2008

	NOTE	2008 HK\$'000	2007 HK\$'000
Operating activities			
Profit before taxation		13,669	15,897
Adjustments for:			
Bank interest income		(2,226)	(2,125)
Finance cost		5,021	–
Allowance for inventories		1,763	1,047
Depreciation		1,268	1,550
Impairment loss recognised in respect of property, plant and equipment		–	166
Changes in fair value of derivative financial instruments		(3,405)	–
Gain on disposal of subsidiaries		(755)	–
Loss/(gain) on disposal of property, plant and equipment		2	(5)
Operating cash flows before movements in working capital		15,337	16,530
Decrease/(increase) in inventories		3,834	(9,066)
Decrease/(increase) in trade and other receivables		3,375	(6,571)
Increase in trade and other payables		511	5,985
Cash generated from operations		23,057	6,878
Hong Kong Profits Tax paid		(1,124)	(1,663)
Net cash from operating activities		21,933	5,215
Investing activities			
Interest received		2,226	2,125
Purchase of property, plant and equipment		(1,028)	(1,079)
Proceeds from disposal of property, plant and equipment		2	76
Net cash from disposal of subsidiaries	21	120	–
Decrease/(increase) in pledged bank deposit		9,040	(461)
Net cash from investing activities		10,360	661



Consolidated Cash Flow Statement

For the year ended March 31, 2008

	<i>NOTE</i>	2008 HK\$'000	2007 HK\$'000
Financing activities			
Interest paid		(1,440)	–
Dividend paid		(53,450)	(5,011)
Proceeds from issue of new shares		25,500	–
Issue of convertible bonds		184,500	–
New other borrowings raised		36,000	–
Issue cost of new shares and convertible bonds		(2,154)	–
Net cash flow from/(used in) financing activities		188,956	(5,011)
Net increase in cash and cash equivalents		221,249	865
Cash and cash equivalents at April 1		44,182	42,831
Effect of foreign exchange rate changes		101	486
Cash and cash equivalents at March 31 represented by bank balances and cash		265,532	44,182



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At the balance sheet date, the parent company and ultimate holding company is Long Grand Limited, a company incorporated in British Virgin Islands. The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of the Annual Report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in garment manufacture and trading and details are set out in note 27.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning April 1, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 12	Service concession arrangements ³
HK(IFRIC) – INT 13	Customer loyalty programmes ⁴
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ³

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

² Effective for annual periods beginning on or after July 1, 2009.

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

⁴ Effective for annual periods beginning on or after July 1, 2008.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

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

The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no impact on the results and the financial position of the Group except for the adoption of HKFRS 3 (Revised) "Business combinations" and HKAS 27 (Revised) "Consolidation and separate financial statements". HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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.

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

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.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discount and sales related tax.

Sales of goods are recognised when goods are delivered to customers and title has passed.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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

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 asset to be recovered.

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



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Textile quotas

The cost of acquiring temporary textile quotas are dealt with in the consolidated income statement in the year in which they are utilised. Textile quotas allocated by the authorities are not capitalised and are not included as assets in the consolidated balance sheet.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables, pledged bank deposits and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Group that contain liability, conversion option and early redemption option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the liability, conversion option and early redemption option components are recognized at fair value.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method *(Continued)*

Convertible bonds (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative and early redemption option derivative components are measured at fair value with changes in fair value recognized in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and embedded derivatives components in proportion to their relative fair values. Transaction costs relating to the embedded derivatives component are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit scheme

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme which are defined contribution schemes are charged as an expenses when employees have rendered service entitling them to the contributions.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the other borrowing and convertible bonds in note 16 and 18 respectively, equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new shares issues, and share buy-back as well as the issue of new debt or the redemption of existing debt.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

5. FINANCIAL INSTRUMENTS

Category of financial instruments

	2008	2007
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	280,118	71,206
Financial liabilities		
Amortised cost	213,180	17,224
Derivative financial instruments	22,231	–
	235,411	17,224

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables, other borrowings and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has trade receivables, pledged bank deposit and bank balances denominated in foreign currencies (see notes 13, 14 and 23), which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis is not presented as the Group's exposure to the foreign currency risk is limited. The trade receivables, pledge bank deposit and bank balances held by the Company and its subsidiaries denominated in United States dollars which have insignificant sensitivity against HKD, the functional currency of the Company and its subsidiaries, under the Linked Exchange Rate System.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate other borrowings, and the convertible bond issued by the Group (see notes 16 and 18 for detail of other borrowings and convertible bonds respectively).

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at March 31, 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on trade receivables is concentrated on a few customers. Trade receivables attributable to the Group's largest customer represent approximately 100% (2007: 97%) of the total trade receivables at the balance sheet date. The aggregate balance of the such trade receivables amounted to approximately HK\$9,553,000 (2007: HK\$17,605,000) at March 31, 2008.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on other borrowing and convertible bonds as a significant source of liquidity. As at March 31, 2008, the Group had available unutilised short-term bank loan facilities HK\$278,000 (2007: HK\$18,528,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 3.31.2008 HK\$'000
2008							
Non-derivative financial liabilities							
Trade payables	-	15,135	-	-	-	15,135	15,135
Other payables	-	1,836	-	-	-	1,836	1,836
Other borrowing - secured	12%	360	1,080	38,880	-	40,320	36,000
Convertible bonds	7.95%	-	-	-	184,500	184,500	160,209
		17,331	1,080	38,880	184,500	241,791	213,180
Derivative financial instruments	-	-	-	-	-	-	22,231



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Less than 1 month	Total undiscounted cash flows	Carrying amount at 3.31.2007
	%	HK\$'000	HK\$'000	HK\$'000
2007				
Trade payables	–	13,919	13,919	13,919
Other payables	–	3,305	3,305	3,305
		17,224	17,224	17,224

Fair value

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

6. SEGMENT INFORMATION

(A) Business segments

The Group's entire turnover and more than ninety percent of the Group's assets are contributed by its garment business and therefore no business segment analysis is presented.

(B) Geographical segments

The Group's operations are located in Hong Kong. All the Group's turnover and contribution to results were derived from the sales to the United States of America ("USA").

Segment assets, segment liabilities and additions to property, plant and equipment by location of customers were not presented as all the customers are located in USA.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
USA	9,553	17,605	–	–
Hong Kong	5,613	574	268	2
Mainland China (the "PRC")	27,097	33,301	760	1,077
	42,263	51,480	1,028	1,079
Unallocated	265,532	53,416	–	–
	307,795	104,896	1,028	1,079



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

7. TAXATION

The taxation charge comprises:

	2008	2007
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– current year	1,474	1,398
– (over)/under provision in prior years	(5)	8
	1,469	1,406
Deferred taxation		
– deferred taxation credit (<i>note 17</i>)	(43)	(65)
	1,426	1,341

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

7. TAXATION (Continued)

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

	2008	2007
	HK\$'000	HK\$'000
Profit before taxation	13,669	15,897
Tax at the domestic income tax rate of 17.5% (2007: 17.5%)	2,392	2,782
Tax effect of expenses that are not deductible in determining taxable profit	658	30
Tax effect of income that is not taxable in determining taxable profit	(2,065)	(1,696)
(Over)/underprovision in prior years	(5)	8
Tax effect of unrecognised tax losses	446	272
Others	–	(55)
Tax charge for the year	1,426	1,341

Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2008	2007
	HK\$'000	HK\$'000
Directors' emoluments (<i>note 8(a)</i>)	955	1,080
Other staff costs	3,896	3,265
Other staff's retirement benefit scheme contributions	129	140
Total staff costs	4,980	4,485
Auditors' remuneration:		
– current year	550	460
– underprovision in prior years	–	68
Allowance for inventories	1,763	1,047
Cost of inventories recognised as expense	148,133	133,537
Depreciation	1,268	1,550
Impairment loss recognised in respect of property, plant and equipment	–	166
Net exchange loss	–	281
Operating lease rentals in respect of:		
– rented premises	1,179	1,021
– office equipment	3	–
– motor vehicle	78	155
Textile quota expenses	3,775	2,629
Loss on disposal of property, plant and equipment	2	–
Interest on:		
– other borrowing	1,637	–
– convertible bonds (<i>note 18</i>)	3,384	–
and after crediting:		
Bank interest income included in other income	2,226	2,125
Gain on disposal of property, plant and equipment	–	5



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

8. PROFIT FOR THE YEAR (Continued)

Notes:

(a) Information regarding directors' and employees' emoluments

The emoluments paid or payable to each of the sixteen (2007: eight) directors as follows:

	Ling	Pang	Lee			Fan			Wong	Law Ka	Yip	Chan		Lam	Yuen	2008	
	Tai Yuk,	Kong	Hon	Keir,	Ching,	Shu Yin,	Wai Yin,	Tze Kin,	Seung	Chi	Ming,	Kam	Che	Wai	Kit,	Total	
	John	Ho Pak	Chung	James	Jonathan	William	Jonathan	David	Vanessa	Fai	Michael	Man	Ye	Dune	Dominic	Leong	
	HK\$'000																
Fees	27	27	27	27	27	65	20	27	27	27	27	27	50	50	50	150	655
Other emoluments																	
Salaries and other benefits	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
	327	27	27	27	27	65	20	27	27	27	27	27	50	50	50	150	955

	Ling	Lee		Leung	Chau	Ng	2007
	Tai Yuk,	Kong	Pang Hon	Keir,	Tsoh Ching,	Shu Yin,	Total
	John	Ho Pak	Chung	James	Jonathan	William	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees		50	50	50	50	80	430
Other emoluments							
Salaries and other benefits	650	-	-	-	-	-	650
	700	50	50	50	50	80	1,080

No directors waived any emoluments in both years ended March 31, 2008 and March 31, 2007.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

8. PROFIT FOR THE YEAR (Continued)

Notes: (Continued)

(b) Employees

The five highest paid individuals of the Group included one director (2007: one director), whose emoluments are disclosed above. The emoluments of the remaining four (2007: four) highest paid employees are as follows:

	2008	2007
	HK\$'000	HK\$'000
Salaries and others	1,814	2,144
Retirement benefit scheme contributions	34	48
	1,848	2,192

The emoluments of each of the four (2007: four) highest paid employees were below HK\$1,000,000.

During the year, no emoluments (2007: nil) were paid by the Group to the five highest paid individuals of the Group (including directors) as an inducement to join or upon joining the Group or as compensation for loss of office. No director had waived any emoluments during both years.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

9. DIVIDENDS

	2008	2007
	HK\$'000	HK\$'000
Dividends recognised as distribution during the year:		
Ordinary shares:		
Special dividend – HK29 cents per share for the year ended March 31, 2007	48,439	–
Final dividends paid – HK3 cents per share for the year ended March 31, 2007 (2007: HK3 cents per share for the year ended March 31, 2006)	5,011	5,011
	53,450	5,011

The directors do not recommend the payment of final dividend for the year ended March 31, 2008.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2008	2007
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share, being profit for the year attributable to equity holders of the Company	12,243	14,556
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	3,384	
Changes in fair value of derivative financial instruments	(3,405)	
Earnings for the purpose of diluted earnings per share	12,222	

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	213,140,605	167,031,016
Effective of dilutive potential ordinary shares:		
Convertible bonds	333,616,438	
Warrants	80,001,844	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	626,758,887	

No diluted earnings per share has been presented for the year end March 31, 2007 as there were no dilutive potential ordinary shares outstanding.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

11. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Furniture and office equipment	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At April 1, 2006	16,643	4,358	2,709	1,984	25,694
Additions	894	42	141	2	1,079
Disposals	(712)	(232)	(477)	–	(1,421)
At March 31, 2007	16,825	4,168	2,373	1,986	25,352
Additions	481	278	–	269	1,028
Disposals	(65)	(180)	–	(124)	(369)
Disposal of subsidiaries	–	(364)	(141)	(48)	(553)
At March 31, 2008	17,241	3,902	2,232	2,083	25,458
DEPRECIATION AND IMPAIRMENT					
At April 1, 2006	14,287	3,505	2,441	1,984	22,217
Provided for the year	1,114	295	139	2	1,550
Impairment loss recognised	–	105	61	–	166
Eliminated on disposals	(712)	(231)	(407)	–	(1,350)
At March 31, 2007	14,689	3,674	2,234	1,986	22,583
Provided for the year	993	192	60	23	1,268
Eliminated on disposals	(65)	(176)	–	(124)	(365)
Disposal of subsidiary	–	(273)	(81)	(48)	(402)
At March 31, 2008	15,617	3,417	2,213	1,837	23,084
NET BOOK VALUES					
At March 31, 2008	1,624	485	19	246	2,374
At March 31, 2007	2,136	494	139	–	2,769



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

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

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Machinery and equipment	5 – 33 $\frac{1}{3}$ %
Furniture and office equipment	10 – 33 $\frac{1}{3}$ %
Motor vehicles	10 – 20%
Leasehold improvements	Shorter of the lease periods or 20%

12. INVENTORIES

	2008	2007
	HK\$'000	HK\$'000
Raw materials	17,930	18,129
Work in progress	5,076	9,526
Finished goods	2,112	3,060
	25,118	30,715



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

13. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK\$'000	HK\$'000
Trade receivables	9,553	17,605
Other receivables	5,218	585
	14,771	18,190

	2008	2007
	HK\$'000	HK\$'000
0 – 30 days	9,553	17,605

Credit policy:

Apart from payment by letter of credit, settlement is generally on an open account basis with credit terms ranging from 30 days to 60 days following the month of sale and there is no collateral held by the Group.

All trade receivables are denominated in United States dollars, other than the functional currency of the respective group entities, and subject to currency risk.

It is the policy of the Group to allow settlement on an open account basis only by customers who have a good payment record and well-established relationships with the Group. The credit period for such customer is reviewed periodically in response to financial conditions, orders on hand and other credit information.

The management considers the balance of trade and other receivables neither pass due nor impaired to be of good credit quality.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

14. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry at market interest rate of approximate 2.3% (2007: 4.9%) per annum on average with an original maturity of three months or less.

At the balance sheet date, included in the bank balances and cash are following amount denominated in currency other than the functional currency of the respective group entity:

	2008	2007
	HK\$'000	HK\$'000
United States Dollars	21,620	33,675

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$15,135,000 (2007: HK\$13,919,000). The following is an ageing analysis of the trade payables:

	2008	2007
	HK\$'000	HK\$'000
0 – 30 days	13,415	12,268
31 – 60 days	1,663	1,618
61 – 90 days	4	–
> 90 days	53	33
	15,135	13,919



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

16. OTHER BORROWING – SECURED

The Group borrowed HK\$36,000,000 on October 10, 2007, which carried interest at 1% per month with effective interest rate of 12% per annum. Interest is payable monthly and the principal amount mature and repayable on March 9, 2009.

The borrowing is secured by the shares of a subsidiary of the Group.

17. DEFERRED TAXATION

A summary of the deferred tax liability recognised and movement thereon during the current and prior year is as follows:

	Accelerated tax depreciation
	HK\$'000
At April 1, 2006	127
Credit to income for the year	(65)
At March 31, 2007	62
Credit to income for the year	(43)
At March 31, 2008	19

At the balance sheet date, the Group has unused tax losses of HK\$16,446,000 (2007: HK\$13,897,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

18. CONVERTIBLE BONDS

On December 24, 2007, the Company issued zero coupon convertible bonds denominated in HK\$ in an aggregate principal amount of HK\$124,500,000 to a substantial shareholder, Long Grand Limited, ("Subscription Bond") and HK\$60,000,000 to outsiders ("Placing Bond"), respectively (collectively known as the "Convertible Bonds"). The Convertible Bonds will mature on the second anniversary of the date of issue of the Convertible Bonds, December 24, 2009. The Convertible Bonds entitle the holders to convert them into ordinary shares ("Conversion Shares") of the Company at any time between the date of issue of the Convertible Bonds and their maturity date on December 24, 2009 at a conversion price of HK\$0.15 per share, subject to adjustments for subdivision or consolidation of shares, bonus issues, rights issues, distributions and other dilutive events. If the Convertible Bonds have not been converted, they will be redeemed on December 24, 2009 at their principal amount.

Other principal terms of the Convertible Bonds

Upon the Convertible Bonds holders exercising the conversion rights attached to the Convertible Bonds, the Company shall issue the warrants to subscribe for new ordinary shares of the Company at an subscription price of HK\$0.15 per share at anytime from the date of issue to the date falling on the first anniversary of the date of issue (in the proportion of one warrant for every four Conversion Shares) (the "Warrants") by way of bonus issue to the holders of the Convertible Bonds. The subscription price of the Warrants is HK\$0.15 per share, subject to adjustments for subdivision or consolidation of shares, right issues and other dilutive events which may have adverse effects on the rights of the holder(s) of the placing warrants.

The Company can early redeem the Convertible Bonds at any time before the maturity of the Convertible Bonds at 100% of the principal amount of the Convertible Bonds.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

18. CONVERTIBLE BONDS (Continued)

The net proceeds received from the issue of Convertibles Bonds contain the following components that are required to be separately accounted for:

- (i) Liability component for the Convertible Bonds represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at the date of issue with reference to the market rate for instruments of comparable credit status taking into account the credit risk of the Company as well as the amount of the Convertible Bonds, but without the conversion option. The effective interest rate of the liability component is 7.95%.
- (ii) Embedded derivatives, comprising:
 - (a) The fair value of redemption discretionary option represents the Company's option to early redeem all or part of the Convertible Bonds; and
 - (b) The fair value of conversion option represents the option of the bondholders to convert the Convertible Bonds into equity of the Company at conversion price of HK\$0.15 and the issuance of Warrants by way of bonus issue for every four Conversion shares with exercise price of HK\$0.15.

The binomial model is used in the valuation of the embedded conversion option derivatives. The value of the issuer's redemption option was estimated using the "with and without approach", whereby the value of the redemption option is determined as the difference between the value of optional conversion option without the issuer's redemption option and the value of the optional conversion option with the issuer's redemption option. Inputs into the model at the respective dates are as follows:



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

18. CONVERTIBLE BONDS (Continued)

(ii) Embedded derivatives, comprising: (Continued)

	December 24, 2007	March 31, 2008
Risk Free Rate of interest	2.46%	1.20%
Credit Spread	1.52%	2.33%
Risk Premium	3.88%	3.88%
Discount Rate	7.86%	7.41%
Conversion Price	HK\$0.15	HK\$0.15
Spot Price	HK\$4.45	HK\$2.80
Volatility	105.76%	106.40%

No conversion right have been exercised during the period from the date of issue to the balance sheet date.

The movements of the liability component and the embedded derivatives in the Convertible Bonds during the year are set out below:

	Liability	Embedded derivatives	Total
	HK\$'000	HK\$'000	HK\$'000
Issued during the year	158,578	25,922	184,500
Issue cost	(1,753)	(286)	(2,039)
Interest charged	3,384	–	3,384
Change in fair value	–	(3,405)	(3,405)
At March 31, 2008	160,209	22,231	182,440



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

19. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At April 1, 2006, March 31, 2007 and March 31, 2008		
Ordinary shares of HK\$0.01 each	50,000,000,000	500,000
Issued and fully paid:		
At April 1, 2006 and April 1, 2007		
Ordinary shares of HK\$0.01 each	167,031,016	1,670
Issue of shares (<i>note</i>)	170,000,000	1,700
At March 31, 2008		
Ordinary shares of HK\$0.01 each	337,031,016	3,370

Note: During the year ended March 31, 2008, the Company allotted and issued 170,000,000 shares of HK\$0.15 each (net of issuing cost of HK\$115,000) as a result of a subscription of shares by Long Grand Limited.

20. CONTRIBUTED SURPLUS

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium of the then holding company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation on May 25, 1993, together with the amounts transferred from share capital and share premium account as a result of the capital reduction taken place in August 2001, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

21. DISPOSAL OF SUBSIDIARIES

On May 23, 2007, the Company disposed of its subsidiaries headed by Gentech (Asia) Limited ("Gentech"), to an independent third party, Trump Star Limited. The net assets of Gentech at the date of disposal were as follows:

	May 23, 2007
	HK\$'000
Net assets disposed of:	
Property, plant and equipment	151
Other receivables	44
Bank balances and cash	8,759
Other payables	(35)
	<hr/> 8,919
Exchange gain realised	(795)
	<hr/> 8,124
Gain on disposal	755
	<hr/> 8,879
Total consideration	<hr/> 8,879
Satisfied by:	
Cash	8,879
	<hr/> 8,879
Net cash inflow arising on disposal:	
Cash consideration	8,879
Bank balances and cash disposed of	(8,759)
	<hr/> 120

There is insignificant impact by the disposal to the Group's results and cash flows to current and prior periods.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

22. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make the following future minimum lease payments in respect of a rented premise and office equipment under non-cancellable operating leases for three years and five years respectively which fall due as follows:

	2008		2007	
	Rented premises HK\$'000	Office equipment HK\$'000	Rented premises HK\$'000	Office equipment HK\$'000
Within one year	937	16	752	–
In the second to fifth years inclusive	1,743	62	–	–
	2,680	78	–	–

23. PLEDGE OF ASSETS

At March 31, 2007, the Group pledged its bank deposit of HK\$9,040,000 to secure the letter of credit banking facilities granted to the Group. The pledged deposit is denominated in United States dollars, other than the functional currency of respective group entities, and subject to currency risk.

The deposit carries fixed interest rate of 4.9% per annum for the year ended March 31, 2007. The pledged bank deposit have been released during the year ended March 31, 2008.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on September 17, 2004 pursuant to a resolution passed by the Company's shareholders on September 17, 2004 for the primary purposes of providing incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") and will expire on September 16, 2014. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK\$1 per option to the Eligible Employees to subscribe for shares in the Company.

The maximum number of shares issued or which may be issuable under the Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme at the date of adoption. The number of shares in respect of which options granted and may be granted to any Eligible Employee is not permitted to exceed 30% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer together with the payment of nominal consideration of HK\$1 per option by the grantee.

An option may be exercised at any time during a period not exceeding twelve months commencing after the date the option is accepted. The expiry of the option may be determined by the Board of Directors of the Company which shall not later than the last day of such period.

The exercise price is determined by the Directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the 5 trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

No options have been granted under the Scheme since its adoption.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

25. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes 5% of relevant payroll costs or lower of HK\$1,000 per person to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiary is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

26. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

	2008	2007
	HK\$'000	HK\$'000
Rental charges paid to related companies (<i>note a</i>)	974	934
Consultancy fees paid to related companies (<i>note b</i>)	110	208
Placing commission paid to a related company (<i>note c</i>)	1,200	–

Notes:

- (a) A director of the Company, Mr. Ling Tai Yuk, John, controls and has beneficial interests in these related companies.
- (b) The spouse of a director controls and has beneficial interests in one of the two (2007: three) related companies. Director of the Company controls and has beneficial interests in the other Company (2007: two companies).
- (c) A substantial shareholder, Dr. Albert Yeung, has beneficial interest in the related company at the date the placing agreement entered into.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 8.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

27. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2008 %	2007 %	
<i>Directly held</i>					
High Dragon Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment holding
Surplus Rich Investments Limited	British Virgin Islands/ Hong Kong	US\$1	100	N/A	Management service to group companies
<i>Indirectly held</i>					
Koniko Company Limited	Hong Kong/ Hong Kong and PRC	HK\$20 Deferred ** non-voting shares	100	100	Garment manufacture and trading

* All are ordinary shares unless otherwise stated.

** None of the deferred non-voting shares are held by the Group. The deferred non-voting shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on winding up.



Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

27. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company with limited liability, except for otherwise denoted, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

28. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008	2007
	HK\$'000	HK\$'000
Assets	244,320	61,663
Liabilities	183,354	493
Net assets	60,966	61,170
Capital and reserves		
Share capital	3,370	1,670
Reserves	57,596	59,500
Total equity	60,966	61,170

Profit of the Company for the year ended March 31, 2008 amounted to approximately HK\$27,861,000 (2007: HK\$32,627,000).

Five Years Financial Summary

RESULTS

	2008	2007	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	178,096	161,850	152,761	176,258	165,307
Profit before taxation	13,669	15,897	12,277	11,701	8,191
Taxation	(1,426)	(1,341)	(1,225)	(1,165)	2,103
Profit for the year	12,243	14,556	11,052	10,536	10,294

ASSETS AND LIABILITIES

	2008	2007	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	307,795	104,896	89,202	93,355	86,017
Total liabilities	(237,872)	(18,457)	(12,794)	(24,866)	(24,723)
Shareholders' funds	69,923	86,439	76,408	68,489	61,294