GAY GIANO INTERNATIONAL

Annual Report 2008

GAY GIANO INTERNATIONAL GROUP LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

Contents

Corporate Information

Head office and principal place of business

Suites 701-702, Grandtech Centre
8 On Ping Street
Siu Lek Yuen
Shatin, N.T.
Hong Kong

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Directors

Executive:
Mr Wong Pak Lam, Louis (Chairman)
Mr Wong Kwong Lung, Terence
Mr. Lam Ho Fai

Independent non-executive:
Mr Chan Ka Ling, Edmond
Mr Lo Wa Kei, Roy
Mr Ching Kwok Ho, Samuel

Company secretary

Mr. Cheung Lap Kei

Auditor

Deloitte Touche Tohmatsu

Solicitors

Bermuda:
Conyers, Dill & Pearman

Principal share registrar and transfer office in Bermuda

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Branch share registrar and transfer office in Hong Kong

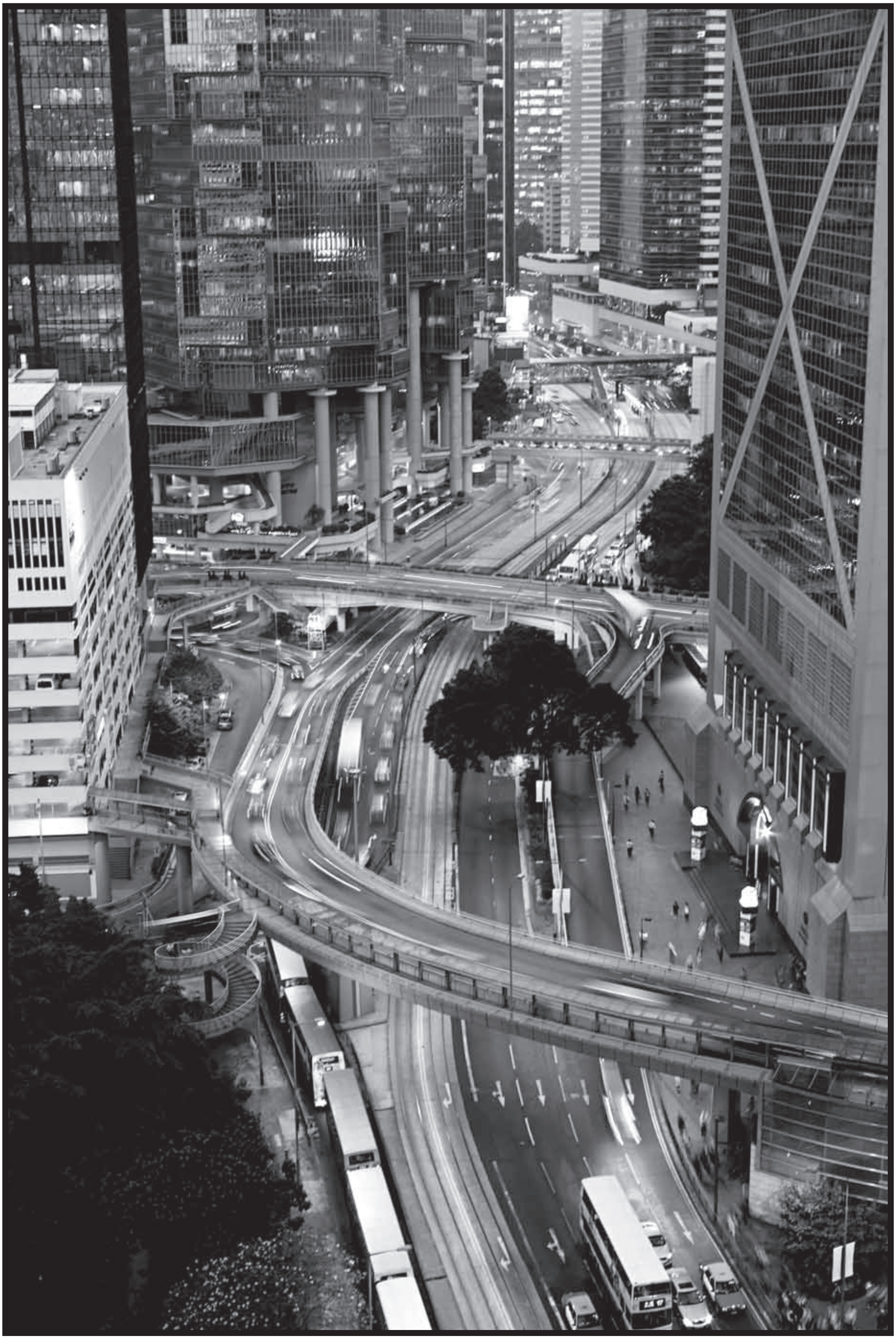
Union Registrars Limited
Room 1901-02, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
ICBC (Asia)
Shanghai Commercial Bank Limited
Wing Hang Bank, Limited

Website

www.gaygiano.com



Chairman's Statement

Business and Operation Review

Business Review

During the year, the Group continued to apply different strategies to improve the overall performance. However, with cost of imported material, local rental and human resources climbing continuously, those efforts of the management had not been as effective as expected.

The Group continued to focus on the fashion apparel retail market in Hong Kong. Backed by distribution channels similar to last year, the Group maintained turnover at a steady level of approximately HK$131.1 million (2007: HK$131.4 million).

Thanks to the management's commendable efforts in controlling production cost, gross profit margin of the Group for the year ended 31st March, 2008 stayed at a relatively high level at approximately 61% (2007: 65%), representing a slight 4% decrease compared with last year. However, higher price of imported fabrics and fashion accessories from European countries and keen price competition had lowered the gross profit margin of the Group.

During the year, the Group continued to relocate existing retail outlets and renovated certain retail outlets in order to enhance brand image and provide a more comfortable shopping environment to customers. It had a total of 15 retail outlets as at 31st March, 2008 (2007: 16) with total retail area of 23,550 sq. ft. (2007: 24,408 sq. ft.).

Net loss for the year ended 31st March, 2008 was approximately HK$21.6 million (2007: net loss HK$2.6 million). The reason of deteriorated result during the year was mainly the worsened operating environment in the retail market. The ratio of distribution costs to turnover and administrative expenses to turnover for the year were maintained at approximately 37% (2007: 36%) and 42% (2007: 31%) respectively. Despite the tight fiscal discipline on operating expenses, the ratio of distribution and administrative expenses increased slightly due to inflated cost of human resources, rental and increase in legal and professional fees. Also, the share options granted to directors, employees and consultants in November 2007 measured at market fair value resulted in an expense of HK$3.6 million for the year.

Prospect

Year 2008 marked an important year of the transition for the Group. During the year, the Group had a new major shareholder and brought in strategic institutional investors. Although the Group still focuses on its core business of fashion apparel, the new management team has identified to expand its future business in infrastructure including toll roads, ports, water plants and sewage plants etc. which is believed to be the best investment geared to the PRC's growth. The new major shareholder and the new management team of the Group have extensive experience in infrastructure and operation of toll roads in the PRC and they consider infrastructure and toll roads business as secure and high quality investments that can deliver sustainable earnings growth for the shareholders. In the future, toll roads will provide stable cashflows, lower cyclicality and potential for asset appreciation. Our strong expertise in toll roads and infrastructure business from the new management team shall add benefits to our shareholders.

As per the announcement dated 10th June, 2008, the Company entered into a conditional sale and purchase agreement with an independent third party to acquire several investment properties and toll roads in the PRC ("the Acquisition"). A circular to the shareholders of the Company is being prepared since the acquisition constituted a very substantial acquisition for the Company and as such, it is subject to shareholders approval. As a whole, we expect our targeted businesses development areas to include but not limited to infrastructure industry in the PRC. The Company will announce, as appropriate any new businesses in the future. In order to cope with the development of the Company, the Board proposes to change the name of the Company from "Gay Giano International Group Limited" to "Time Infrastructure Holdings Limited". Upon the change of name becoming effective, the Company will adopt the new Chinese name "太一控股有限公司" (for identification purpose only).

For the apparel retail business, the Group is seeking strategic partners with solid experience in brand building to develop the "Gay Giano" and "Cour Carré" brands in the PRC. The two brands mainly target middle class white-collar employees who wish to project a professional and upbeat image. The banking, insurance, finance, securities, properties and other commercial segments in the PRC will translate into thriving demand for siylish, business-project apparel products like the Group's. Regarding the Hong Kong market, sales performance is expected to improve as the Hong Kong economy continues to pick up steadily and the financial and commerce sectors raise salaries in 2008.

We see growth prospects for the Group's businesses. In particular, business development in the PRC and Hong Kong will go from strength to strength bolstered by the strong growth momentum of these markets. The new management team aims to put the Group in position to a sustainable growth and prosper, and to maximize returns to shareholders.

Appreciation

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continuous support. I also thank my fellow directors and staff of the Company for their dedication and contribution.

Wong Pak Lam, Louis
Chairman

Hong Kong

22nd July, 2008

Management Discussion and Analysis

Turnover

The turnover of the Group maintained at a steady level of approximately HK$131.1 million (2007: HK$131.4 million) as the distribution channels of the Group were similar to last year.

Gross profit

The gross profit of the Group for the year ended 31st March, 2008 stayed at a relatively high level at approximately 61% (2007: 65%), representing a slight 4% decease compared with last year. The lower of gross profit margin of the Group was due to the higher price of imported fabrics and fashion accessories from European countries and keen competition in retail fashion market.

Distribution costs

The ratio of distribution costs to turnover for the year were maintained at a steady level of 37% (2007: 36%).

Administration expenses

The increase in administrative expenses by HK$14.2 million was mainly due to the increase in share-based payment expenses of share option for directors, employees and consultants by HK$3.6 million (2008: HK$3.6 million; 2007: Nil), increase in provision for long service payments by HK$2.2 million (2008: HK$2.2 million; 2007: Nil), increase in directors' and staff costs (excluding share-based payment expenses) by HK$3.0 million (2008: HK$23.0 million; 2007: HK$20.0 million), increase in auditor's remuneration by HK$1.1 million (2008: HK$1.4 million; 2007: HK$0.3 million) and increase in other legal and professional fees by HK$2.8 million (2008: HK$3.0 million; 2007: HK$0.2 million) for lawyers, financial advisors, consultants and public relationship firm etc regarding financial advisory, consultancy, valuation and public relationships.

Liquidity and financial resources

As at 31st March, 2008, net current assets and current ratio of the Group were approximately HK$55.1 million (2007: HK$35.0 million) and 4.2 (2007: 4.0) respectively. The current assets mainly comprised inventories of approximately HK$21.8 million (2007: HK$25.6 million), deposits and prepayments of approximately HK$35.5 million (2007: HK$1.8 million), accounts receivable of approximately HK$0.2 million (2007: HK$0.3 million) and bank balances and cash of approximately HK$6.2 million (2007: HK$10.8 million). Included in deposits and prepayments is a deposit of HK$32.9 million (2007: Nil) paid in respect of acquisition of equity interest in three mining companies in the PRC. The Group had total assets of approximately HK$90.6 million (2007: HK$63.6 million), current liabilities of approximately HK$17.3 million (2007: HK$11.8 million), non-current liabilities of approximately HK$3.7 million (2007: HK$1.7 million) and shareholders' equity of approximately HK$69.6 million (2007: HK$50.2 million).

The overall gearing ratio for the year was maintained at 11.1% (2007: 11.3%) with total borrowings of approximately HK$7.7 million (2007: HK$5.7 million) and net worth of approximately HK$69.6 million (2007: HK$50.2 million) as at 31st March, 2008. Overall gearing ratio is defined as total borrowings over net worth.

The Group recorded a net cash outflow from operating activities of approximately HK$7.5 million (2007: net cash inflow HK$0.3 million) for the year. The Group repaid aggregated secured bank and other loans of HK$23.8 million (2007: HK$19.2 million) and the aggregated proceeds received from secured bank loans are HK$25.9 million (2007: HK$19.3 million).

Treasury policies

The Group generally finances its operations with internally generated cash flows and loan facilities provided by banks and financial institutions in Hong Kong. As at 31st March, 2008, the total outstanding short-term borrowings stood at approximately HK$7.6 million (2007: HK$5.2 million). Borrowing methods used by the Group mainly included bank loans and other loans from financial institutions. The interest rates of most of these loans were determined by reference to the Hong Kong dollar prime rate. The Group had no interest rate hedging arrangement during the year. The directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditures.

Capital expenditure and commitments

Capital expenditures amounted to approximately HK$4.5 million (2007: HK$2.5 million) for the year ended 31st March, 2008. These expenditures were mainly used in retail network improvement. The amount of capital commitment of the Group as at 31st March, 2008 was HK$0.4 million (2007: Nil).

Pledge of assets and contingent liabilities

As at 31st March, 2008, the Group pledged the leasehold land and buildings in Hong Kong with an aggregate net book value of approximately HK$6.3 million (2007: HK$5.7 million). As at 31st March, 2008, the Group had no significant contingent liabilities (2007: Nil).

Investment in properties

The Group's leasehold land and buildings were valued at approximately HK$6.3 million (2007: HK$5.7 million) as at 31st March, 2008 by Savills Valuation and Professional Services Limited on an open market, existing use basis. This valuation gave rise to a revaluation surplus of approximately HK$0.7 million (2007: HK$0.4 million) which has been credited to reserves.

Properties leased in Hong Kong: the Group leases 15 (2007: 16) retail outlets from independent third parties with a total floor area of 23,550 sq.ft. (2007: 24,408 sq.ft). The Group also leases certain units at Siu Lek Yuen, Shatin, New Territories as warehouse and office space.

Properties leased in the PRC: the production facilities and dormitories of the Group are located in Shediju, Shenzhen, PRC.

Segment information

Details of segmental information are disclosed in note 7 to the financial statements.

Hong Kong is the major geographical segment of the Group. Revenues derived by the Group in Hong Kong and the PRC for the year ended 31st March, 2008 were HK$131.1 million (2007: 129.5 million) and HK$Nil (2007: HK$1.9 million) respectively. The carrying amounts of segment assets located in Hong Kong and the PRC as at 31st March, 2008 amounted to approximately HK$71.4 million (2007: HK$43.6 million) and approximately HK$9.2 million (2007: HK$5.6 million) respectively.

The additions to property, plant and equipment of the Group for the year ended 31st March, 2008 in Hong Kong and the PRC amounted to approximately HK$2.9 million (2007: HK$2.4 million) and HK$1.7 million (2007: HK$0.04 million) respectively.

Employees and remuneration policies

As at 31st March, 2008, the Group had 170 (2007: 171) full-time employees in Hong Kong and 254 (2007: 288) full-time employees in the PRC. The total number of full-time employees of the Group was 424 (2007: 459). The Group has a share option scheme for the benefit of its directors and eligible employees.

Foreign exchange exposure

Most of the transactions of the Group are conducted in Hong Kong dollars and Euro. Although Euro had kept appreciated during the year, the Group did not resort to any currency hedging facility for the year ended 31st March, 2008. Up to the date of this report, the Board had been of the view that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuation. However, the management will monitor the Group's foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

Material acquisitions and disposals of subsidiaries and associated companies

Other than those as disclosed in the paragraph headed "Acquisition" in the Director's Report, there were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31st March, 2008.

Biographical details of directors and senior management

Executive Directors

Mr Wong Pak Lam, Louis, aged 30, is the Chairman and the Executive Director of the Company. Mr. Wong completed the law study programme at the Southwest University of Political Science and Law in the PRC in 2001. Being the deputy managing director of Guangdong Liantai Group, he is responsible for the group's various investment projects. Mr. Wong is experienced in exploring opportunities for business development in the PRC. He is a member of the Chinese People's Political Consultative Conference Shenzhen Committee.

Mr Wong Kwong Lung, Terence, aged 46, is the Chief Executive Officer and Executive Director of the Company. Mr. Wong is responsible for the Group's overall strategic planning. He has over 16 years of experience in property development and investment in Hong Kong and the PRC.

Mr. Lam Ho Fai, aged 53, is the Executive Director of the Company. Mr. Lam has over 20 years experience in treasury management in the banking industry and 7 years of corporate finance experience. Prior to joining the Company, he had served as the chief financial officer of a U.S. listed company. Mr. Lam holds an honored degree in Bachelor of Commerce with a major in Business Administration from the University of Windsor, Canada and is the affiliate member of the Hong Kong Securities Institute. Mr. Lam is responsible for the Group's various investment projects.

Independent Non-Executive Directors

Mr. Chan Ka Ling, Edmond, aged 49, is an Independent Non-Executive Director of the Company. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (Practising). He has been practicing as a certified public accountant in Hong Kong for 20 years and is a partner in Chan and Chan, CPA. He is currently an independent non-executive director of Tack Hsin Holdings Limited and Simsen International Cooperation Limited, both companies are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Lo Wa Kei, Roy, aged 37, is an Independent Non-Executive Director of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants (Practicing), a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Securities Institute. He is also a member of the Institute of Chartered Accountants in England and Wales. He has over 15 years of experience in auditing, accounting and finance. He is currently an independent non-executive director of Sun Hing Vision Group Holdings Limited and Sun Man Tai Holdings Company Limited, both companies are listed on the Main Board of the Stock Exchange.

Mr. Ching Kwok Ho, Samuel, aged 51, is an Independent Non-Executive Director of the Company. He is a practising solicitor in Hong Kong. He graduated from the University of Hong Kong with a degree in Bachelor of Laws and a Postgraduate Certificate in Laws. Mr Ching is currently a partner in King & Company in Hong Kong. He has over 22 years of legal experience in banking and finance, liquidation, tenancy, conveyancing, commercial disputes and civil litigation in Hong Kong. Mr Ching currently is an independent non-executive director of Tack Fat Group International Limited, a company listed on the Main Board of the Stock Exchange.

Senior Management

Mr. Wong Kwong Sum, aged 41, has over 20 years experience in construction material supply and retail business. Mr Wong joined the Group in November 2007 and is the General Manager in our Fashion Group. He holds a degree in Bachelor of Business Administration from West Coast Institute of Management & Technology. He is responsible for the Group's overall strategic management and business development in fashion retailing segment.

Mr. Cheung Lap Kei, aged 36, has over 14 years experience in auditing, finance and accounting fields. Mr Cheung joined the Group in June 2008. He is the chief financial officer, company secretary and qualified accountant of the Group. Mr Cheung graduated from Australian National University with a Bachelor degree in Commerce in 1994. He also obtained a Master in Business Administration from Deakin University in 2006. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He is responsible for the Group's financial strategies, accounting and financial reporting. Prior to joining the Group, he was the financial controller, company secretary and qualified accountant of a Hong Kong listed company and worked in several international accounting firms.

Ms. Cheung Yin Fong, aged 51, has over 28 years experience in textile and fashion business. Ms. Cheung joined the Group in September 1982. She is the Production Manager and is responsible for overall technical of the Fashion Group.

Mr. Cheung Sing Chi, aged 47, is the Creative Director of the Fashion Group. He is one of the founders of the Group and is responsible for the fashion design management of the Fashion Group. He has over 28 years of experience in the fashion apparel distribution and manufacturing business.

Mr. Cheung For Sang, aged 55, is the Manufacturing Director of the Fashion Group. He is one of the founders of the Group and is responsible for the manufacturing management of the Fashion Group. He has over 28 years experience in fashion manufacturing management.

Mr. Chan Kwok Kay, aged 45, is the Design Manager of the Fashion Group. He is responsible for the fashion design of the Fashion Group. He joined the Group in 1988 and has over 24 years of experience in fashion design.

Ms. Chan Pui Yu, aged 38, is the Administration Manager of the Fashion Group. She joined the Group in June 2008. She holds a Bachelor degree in Arts (Psychology) from Seattle University in U.S.A. and a Master degree in Trauma Psychology from the Chinese University of Hong Kong.

Ms. Lee Hop Mui, aged 43, is the Retail Manager of the Fashion Group and is responsible for the overall daily retail operations of the Fashion Group. She joined the Group in 1987 and has over 23 years of experience in fashion retailing.

Shop list

COUR CARRÉ

Shop 2106, Level 2,
Harbour City,
Tsimshatsui, Kowloon

Shop 052, Cityplaza 2
18 Taikoo Shing Road
Taikoo Shing, H.K.

Shop G35-G37, G/F
Fashion World, Site 2
Whampoa Garden, Hunghom, Kowloon

Shop 472, 4/F
Phase 1, New Town Plaza
Shatin Centre Street, Shatin, N.T.

Unit G80, Telford Plaza 1
Telford Gardens, 33
Wai Yip St., Kowloon Bay, Kowloon

Shop 210-213, Level 2
Grand Century Place
193 Prince Edward Road West
Mongkok, Kowloon

Unit LG1-28, Festival Walk
80 Tat Chee Avenue,
Kowloon Tong, Kowloon

Shop L024-L025, G/F.,
New World Centre Shopping Mall,
18-24 Salisbury Road
Tsimshatsui, Kowloon.

Shop 103, 1/F., Style House
The Park Lane,
310 Gloucester Road
Causeway Bay, H.K.

Shop No. UC-2, Upper Concourse Level,
APM, Millennium City 5,
418 Kwun Tong Road, Kowloon

Shop 111 on Level One, Man Yee Arcade,
Man Yee Bldg., 68 Des Voeux Road Central, H.K.

Shop UG17, Upper Ground Floor,
Olympian City 2, 18 Hoi Ting Road,
Tai Kok Tsui, Kowloon

Shop. Nos. 1100-1101, Level One,
Metro City Phase II, Tseung Kwan O, N.T.

Shop No. 3, Level 3, Langhom Place,
8 Argyle Street, Mongkok, Kowloon

Shop UG12, UG13, & UG15,
Upper Ground Floor, Citywalk,
No. 1 Yeung Uk Road, Tsuen Wan, N.T.

Summary of financial information

A summary of the results, assets and liabilities of the Group for the last five financial periods is as follows:

Results	For the year ended 31st March,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	131,081	131,447	132,785	126,404	122,257
(Loss) profit before tax	(21,644)	(1,986)	1,680	14,182	(8,422)
Income tax (expense) credit	—	(572)	463	(235)	(70)
(Loss) profit for the year	(21,644)	(2,558)	2,143	13,947	(8,492)

Assets and liabilities	At 31st March,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	90,565	63,629	68,438	63,346	54,558
Total liabilities	(20,988)	(13,451)	(16,114)	(13,566)	(18,733)
	69,577	50,178	52,324	49,780	35,825

The above financial summary prior to 31st March, 2004 has not been adjusted to take into account the effect on the adoption of new Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005, as the directors considered that it is not practicable to do so.

Key financial statistics

		Unit/Place	**2008**	2007	2006	2005	2004
Turnover	Gay Giano	HK$'000	32,586	36,043	36,688	34,333	32,317
	Cour Carré	HK$'000	97,630	93,050	93,132	87,252	77,846
	Due G	HK$'000	865	2,354	2,965	4,819	12,094
		HK$'000	131,081	131,447	132,785	126,404	122,257
(Loss)/profit before tax		HK$'000	(21,644)	(1,986)	1,680	14,182	(8,422)
(Loss)/profit for the year		HK$'000	(21,644)	(2,558)	2,143	13,947	(8,492)
Total equity		HK$'000	69,577	50,178	52,324	49,780	35,825
Total assets		HK$'000	90,565	63,629	68,438	63,346	54,558
Working capital		HK$'000	55,082	35,020	33,894	30,504	16,247
Total borrowings		HK$'000	7,659	5,650	5,142	4,585	6,628
(Loss)/earnings per share							
— Basic		HK cents	(10.28)	(1.28)	1.07	6.97	(4.25)
— Diluted		HK cents	N/A	N/A	1.07	6.95	N/A
Number of shops			15	16	15	13	12
Total controlled retail floor area		Square feet	23,550	24,408	24,911	24,901	27,172
Capital expenditure		HK$'000	4,516	2,471	3,027	3,090	729
Number of employees		Hong Kong, SAR	170	171	187	161	168
		PRC	254	288	375	367	348
Gross profit margin		*(note 1)*	61.28%	65.05%	66.77%	69.88%	62.70%
Operating (loss)/profit margin		*(note 2)*	(16.20%)	(1.30%)	(1.37%)	11.43%	(6.42%)
Net (loss)/profit margin		*(note 3)*	(16.51%)	(1.95%)	(1.61%)	11.03%	(6.95%)
Return on equity		*(note 4)*	(31.11%)	(5.10%)	(4.10%)	28.02%	(23.70%)
Current ratio		*(note 5)*	4.18	3.97	3.34	3.47	2.23
Stock turnover days		*(note 6)*	61	71	75	56	52
Creditors' turnover days		*(note 7)*	14	22	19	13	31
Debt equity (or gearing) ratio		*(note 8)*	11.01%	11.26%	9.83%	9.21%	18.50%

Notes:

1. Gross profit/Sales x 100%
2. Operating (loss)/profit/Sales x 100%
3. (Loss)/profit after tax/Sales x 100%
4. (Loss)/profit after tax/Equity x 100%
5. Current assets/current liabilities
6. Stock/Sales x 365 days
7. Trade creditors/Purchases x 365 days
8. Total debt/equity x 100%
9. Sales to retail customers are settled in cash or using major credit cards while the Group allows an average credit period of 30 to 60 days for royalty income receivables.

Directors' Report

The directors have pleasure in presenting to the shareholders their annual report together with the audited consolidated financial statements for the year ended 31st March, 2008.

Principal activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st March, 2008 is set out in note 7 to the consolidated financial statements.

Results and appropriation

The results of the Group for the year ended 31st March, 2008 are set out in the consolidated income statement on page 25 of the annual report.

The directors do not recommend the payment of a dividend for the year.

Property, plant and equipment

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

Bank borrowings

Details of the Group's bank borrowings are set out in note 21 to the consolidated financial statements.

Share capital

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements.

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

Reserves

Details of movements in the reserves of the Group during the year are stated in the consolidated statement of changes in equity on page 27 of the annual report.

Distributable reserves of the Company

As at 31st March, 2008, the Company had no reserve (2007: Nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of HK$49,507,000 (2007: HK$26,137,000) may be distributed in the form of fully paid bonus shares.

Summary of financial information

A summary of the results and assets and liabilities of the Group for the past five financial years ended 31st March, 2008 is set out on page 11 of the annual report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Directors and directors' Service Contracts

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

Executive directors:

Mr. Wong Pak Lam, Louis *(Chairman)*	(appointed on 3rd August, 2007)
Mr. Wong Kwong Lung, Terence	(appointed on 3rd August, 2007)
Mr. Lam Ho Fai	(appointed on 1st July, 2008)
Mr. Wong Kin Tung	(appointed on 3rd August, 2007 and resigned on 28th January, 2008)
Ms. Cheung Yin Sheung, Subraina	(resigned on 24th August, 2007)
Mr. Tong Kwong Fat	(resigned on 24th August, 2007)
Ms. Yung Wing Sze, Vivian	(resigned on 24th August, 2007)

Non-executive director:

Ms. To Ming Oi, Wendy	(resigned on 24th August, 2007)

Independent non-executive directors:

Mr. Chan Ka Ling, Edmond
Mr. Lo Wa Kei, Roy
Mr. Ching Kwok Ho, Samuel

In accordance with Bye-Law 111(A) of the Company's Bye-laws, Mr. Lo Wa Kei, Roy and Mr. Ching Kwok Ho, Samuel will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with members of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and chief executive's interests in shares of the Company

As at 31st March, 2008, the interests of the directors, the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, were as follows:

Long positions

(a) Ordinary shares of HK$0.10 each in the Company

Name of director	Category	Number of issued ordinary shares held (note i)	Percentage of the issued share capital of the Company
Mr. Wong Pak Lam, Louis	Held by controlled corporation (note ii)	84,004,000	38.38%
Mr. Wong Kwong Lung, Terence	Beneficial owner	2,188,400	1%

(b) Directors' interests in the underlying shares of the share options of the Company

Name of director	Number of share options held	Exercisable period	Exercise price per share *HK$*
Mr. Wong Pak Lam, Louis	218,840	21.11.2007 to 20.11.2017	2.334
Mr. Wong Kwong Lung, Terence	2,188,400	21.11.2007 to 20.11.2017	2.334
	2,407,240		

notes:

i. Shares of HK$0.10 each in the capital of the Company.

ii. These shares are held by Ti Yu Investments Limited which is incorporated in the British Virgin Islands and is wholly-owned by Mr. Wong Pak Lam, Louis beneficially.

Save as disclosed above, as at 31st March, 2008, none of the directors, the chief executive or their associates had any interests or short positions in shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

Share Options

Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

Details of the share options granted under the share option scheme to certain directors of the Company to subscribe for shares in the Company are as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2007	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31.3.2008
Wong Pak Lam, Louis	21.11.2007	21.11.2007 to 20.11.2017	2.3340	–	–	218,840	–	218,840
Wong Kwong Lung, Terence	21.11.2007	21.11.2007 to 20.11.2017	2.3340	–	–	2,188,400	–	2,188,400
Wong Kin Tung*	21.11.2007	21.11.2007 to 20.11.2017	2.3340	–	–	2,188,400	–	2,188,400
Cheung Yin Sheung, Subraina**	5.2.2001	5.2.2001 to 4.2.2011	0.2528	1,800,000	–	–	(1,800,000)	–
Tong Kwong Fat**	5.2.2001	5.2.2001 to 4.2.2011	0.2528	1,800,000	(330,000)	–	(1,470,000)	–
Yung Wing Sze, Vivian**	5.2.2001	5.2.2001 to 4.2.2011	0.2528	1,170,000	(1,170,000)	–	–	–
				4,770,000	(1,500,000)	4,595,640	(3,270,000)	4,595,640

* Wong Kin Tung resigned on 28th January, 2008 and the exercisable period of his share options was extended to 28th April, 2008. His share options were lapsed subsequent to 28th April 2008.

** Cheung Yin Sheung, Subraina, Tong Kwong Fat, Yung Wing Sze, Vivian resigned on 24th August, 2007.

Details of the share options granted under the share option scheme to certain employees and consultants of the Company for shares in the Company are as follows:

Employees and consultants	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2007	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31.3.2008
Employees	21.11.2007	21.11.2007 to 20.11.2017	2.3340	–	–	2,694,000	–	2,694,000
	5.2.2001	5.2.2001 to 4.2.2011	0.2528	10,310,000	(7,210,000)	–	(3,100,000)	–
Consultants	21.11.2007	21.11.2007 to 20.11.2017	2.3340	–	–	1,094,000	–	1,094,000
				10,310,000	(7,210,000)	3,788,000	(3,100,000)	3,788,000

The closing price of the Company's shares on 20th November, 2007, immediately before the date of grant of the share options, was HK$2.30.

Arrangement to purchase shares or debentures

Other than as disclosed under the heading "Share Options", at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement 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, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on page 8 and 9 of this annual report.

Substantial shareholders' interests

According to the records entered into the register required to be kept by the Company pursuant to Section 336 of the SFO, so far as the directors of the Company are aware of and having made due enquiries, as at 31st March, 2008 the interests and short positions of the following parties (other than the directors or chief executive of the Company as disclosed above), in the shares or underlying shares of the Company were as follows:

Name	Category	Type of interests	Number of shares held	Number of underlying shares held	% of the issued share capital
Ti Yu Investment Limited *(note i)*	Beneficial owner	Corporate	84,004,000	–	38.38
Wong Pak Lam, Louis *(note ii)*	Interest of controlled corporation	Corporate	84,004,000	–	38.38
	Beneficial owner	Personal	–	218,840	0.10
UBS AG *(note iii)*	Interests by attribution	Corporate	36,020,000	–	16.46
Generation Japan Master Fund (Cayman) LP *(note iii)*	Beneficial owner	Corporate	36,000,000	–	16.45

Notes:

i. On 26th June, 2007, Gay Giano (BVI) Group Limited ("Gay Giano (BVI)") entered into a sale and purchase agreement with Ti Yu Investment Limited. Pursuant to the sale and purchase agreement, Gay Giano (BVI) conditionally agreed to sell 120,000,000 shares of the Company to Ti Yu Investment Limited for a total consideration of HK$100,000,000. The sale and purchase agreement was completed on 10th July, 2007.

ii. Mr. Wong Pak Lam, Louis holds 100% of the shares in issue of Ti Yu Investment Limited and therefore has a controlling interest in it. By virtue of the SFO, Mr. Wong Pak Lam, Louis is taken to be interested in the shares of the Company held by Ti Yu Investment Limited.

iii. Generation Japan Master Fund (Cayman) LP is the beneficial owner of 36,000,000 shares held by UBS AG.

Save as disclosed above, as at 31st March, 2008, the Company was not notified by any person (other than the directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' interests in contracts and connected transactions

During the year ended 31st March, 2008, the Group entered into certain transactions which constituted connected transactions under the Listing Rules. Details are set out below:

During the year ended 31st March, 2008, Gay Giano International Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Boldsmore International Limited ("Boldsmore"). Pursuant to the agreement, Boldsmore leased an office and a warehouse to the Group for the period from 1st April, 2007 to 24th August, 2007 at a monthly rent of HK$220,000 and the total rental expenses during the year were HK$1,050,000.

Boldsmore is a company in which Ms. Cheung Yin Sheung, Subraina, a former director of the Company, has beneficial interest.

The independent non-executive directors are of the opinion that the terms of the above transaction was fair and reasonable so far as the shareholders of the Company are concerned; and that the transaction was entered into by the Group in its ordinary course of business and on normal commercial terms and was carried out in accordance with the terms of the agreement governing such transaction.

Other than 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 business

None of the directors of the Company is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year.

Emolument policy

The Group remunerates its employees including the directors, based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme. Details of the share option scheme are set out in note 27 to the consolidated financial statements.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

Pre-emptive rights

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

Major customers and suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for less than 1% of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 5% and 17%, respectively, of the Group's total purchases for the year.

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

Sufficiency of public float

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

Acquisition

On 30th October, 2007, the Group entered into a conditional agreement ("the Agreement") with an independent third party to acquire 70% equity interests in several mining companies in the People's Republic of China ("PRC") which involve zinc and lead mines at a consideration of HK$361 million. The Agreement was terminated due to the non-fulfillment of certain conditions precedent in the Agreement as disclosed in the Company's announcement dated 3rd April, 2008. The board of directors considers that the termination of the Agreement will not have any material impact on the business of the Group.

As disclosed in the Company's announcement dated 10th June, 2008, on 27th May, 2008, the Group entered into a sale and purchase agreement with an independent third party to acquire several investment properties and toll roads in the PRC (the "Acquisition") at a consideration of RMB460 million (subject to adjustment, if any) is to be satisfied as to RMB50 million by cash and as to RMB410 million (subject to adjustment, if any) by issue of convertible bonds by the Company. A circular is being prepared since the Acquisition constituted a very substantial acquisition for the Company and as such, it is subject to the shareholders' approval.

Proposed change of company name

The Board proposes to change the name of the Company from "Gay Giano International Group Limited" to "Time Infrastructure Holdings Limited". Upon the change of name becoming effective, the Company will adopt the new Chinese name "太一控股有限公司" (for identification purpose only). The Company will issue a further announcement in relation to the change of the stock short name.

The proposed change of name of the Company is subject to the approval by the shareholders by way of a special resolution at the special general meeting to be convened and the issue of the relevant certificate of incorporation on change of name by the Registrar of Companies in Bermuda to the Company approving such change.

Post balance sheet events

Details of the post balance sheet events of the Group are set out in note 33 to the consolidated financial statements.

Auditor

KLL Associates CPA Limited ("KLL") had been the auditor of the Company for three years until their practice merged with that of BDO McCabe Lo Limited ("BDO") in 2005. The Board appointed BDO as auditor of the Company immediately following the resignation of KLL on 30th September, 2005.

BDO, who acted as auditor for the period from 1st October, 2005 to 31st March, 2007, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditor of the Company on 29th April, 2008. A resolution will be submitted to the annual general meeting to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

ON BEHALF OF THE BOARD

Wong Pak Lam, Louis
Chairman

Hong Kong, 22nd July, 2008

Report of corporate governance

Corporate governance practices

Throughout the year ended 31st March, 2008, the Group has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

Directors' securities transactions

The Company has adopted a model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company (the "Directors"), the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2008.

Board of directors

Composition of the Board of Directors

The Board of Directors of the Company (the "Board") currently comprises six Directors, of whom three are Executive Directors, namely Mr Wong Pak Lam, Louis, Mr Wong Kwong Lung, Terence, Lam Ho Fai and three are Independent Non-executive Directors, namely Mr Chan Ka Ling, Edmond, Mr Lo Wa Kei, Roy and Mr Ching Kwok Ho, Samuel. Each of Directors' respective biographical details are set out in the "Biographical details of directors and senior management" of this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Board, save as the family relationships set out in the "Biographical details of directors and senior management" of this annual report, there is no financial, business, family or other material/relevant relationship among members of the Board.

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are Mr Wong Pak Lam, Louis and Mr Wong Kwong Lung, Terence respectively. The roles of the Chairman and Chief Executive Officer are segregated to assume a balance of authority and power. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing.

Functions of the Board of Directors

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses and evaluating the performance of the Group. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group. The Board delegates day-to-day operations of the Group to Executive Directors and senior management who perform their duties under the leadership of the Chairman.

Independent Non-executive Directors

In compliance of Rule 3.10(1) of the Listing Rules, there are three Independent Non-executive Directors. And among the three Independent Non-executive Directors, two of them have professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr Chan Ka Ling, Edmond, Mr Lo Wa Kei, Roy and Mr Ching Kwok Ho, Samuel to be independent.

Board of directors (continued)

Directors' appointment, re-election and removal

All Non-executive Directors are appointed for a specific term of 1 year subject to the retirement and reappointment provisions in the Bye-law of the Company (the "Bye-laws").

In accordance with the Bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, every Director shall be subject to retire by rotation at least once every three years. In addition, according to the Bye-laws, any Directors appointed to fill a casual vacancy shall hold office only until the next following general meeting or until the next following annual general meeting if addition to the Board and shall then be eligible for re-election at that meeting.

Board meetings and board practices

The Board has scheduled at least four meetings a year and meets when required. During the year, the Board held 16 meetings. The Company Secretary assists the Chairman in preparing the agenda of meeting. For all such meetings, at least 14 days' notice is given to all Directors while reasonable notice is generally given for other board meetings. The Company Secretary is responsible for distributing detailed documents to Directors to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board of Directors opinions on matters in relation to the compliance with the procedures of the Board meetings. All Board and committee minutes are recorded in appropriate detail and all minutes are kept by Company Secretary and are open for inspections by the Directors. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

During the year ended 31st March, 2008, the Company held 16 Board meetings, and the Directors' attendance records for those meetings held is set out below.

Directors' attendance at board meetings

	Directors' Attendance
Executive Directors	
Mr Wong Pak Lam, Louis (Chairman) (appointed on 3rd August, 2007)	14/16
Mr Wong Kwong Lung, Terence (appointed on 3rd August, 2007)	14/16
Mr Wong Kin Tung (appointed on 3rd August, 2007 and resigned on 28th January, 2008)	8/16
Mr Lam Ho Fai (appointed in 1st July, 2008)	—
Ms Cheung Yin Sheung, Subraina (resigned on 24th August, 2007)	2/16
Mr Tong Kwong Fat (resigned on 24th August, 2007)	2/16
Ms Yung Wing Sze, Vivian (resigned on 24th August, 2007)	2/16
Non-executive Director	
Ms To Ming Oi, Wendy (resigned on 24th August, 2007)	2/16
Independent Non-executive Directors	
Mr Chan Ka Ling, Edmond	16/16
Mr Lo Wa Kei, Roy	16/16
Mr Ching Kwok Ho, Samuel	16/16

Board Committees

Audit Committee

The Company has established an audit committee on 14th March, 2000 with written terms of reference in accordance with the requirements of the CG Code. The audit committee has three members, including the Company's three Independent Non-executive Directors, namely Mr Chan Ka Ling, Edmond, Mr Lo Wa Kei Roy and Mr Ching Kwok Ho, Samuel. Mr Chan Ka Ling, Edmond is the Chairman of the audit committee. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group audit. The duties of the audit committee are to review and provide supervision over the financial reporting process of the Group. The audit committee meets regularly with the management and the external auditors to discuss the accounting principles and practices adopted by the Group and financial reporting matters. The financial statements of the Group for the year ended 31st March, 2008 have been reviewed by the audit committee and there were 2 meetings held during the year ended 31st March, 2008. The attendance record for the audit committee meetings is set out below:

Members of the audit committee	Directors' attendance
Mr Chan Ka Ling, Edmond	2/2
Mr Lo Wa Kei, Roy	2/2
Mr Ching Kwok Ho, Samuel	2/2

Remuneration Committee

The Company established a remuneration committee on 28th September, 2005 with terms of reference in compliance with the provisions set out in the CG Code. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. It comprises three members, including the Company's two Independent Non-executive Directors, namely Mr Chan Ka Ling, Edmond and Mr Lo Wa Kei, Roy and an Executive Director, Mr. Wong Kwong Lung, Terence. Mr Chan Ka Ling, Edmond is the Chairman of the remuneration committee.

The remuneration committee meets at least once a year. During the financial year ended 31st March, 2008, the remuneration committee has held 1 meeting to review the existing remuneration packages of each Director and senior management of the Company, and to recommend to the Board the salaries and bonuses of the Directors and senior management and discuss the remuneration package of the newly appointed directors and senior managements. The attendance record of individual committee members is set out below:

Members of the remuneration committee	Directors' Attendance
Mr Chan Ka Ling, Edmond	1/1
Mr Lo Wa Kei, Roy	1/1
Mr Wong Kwong Lung, Terence	1/1

Nomination of Directors

According to the CG Code, it is recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may take up by the board members, therefore, the Company has not established a nomination committee.

The Board is responsible for considering, selecting and recommending candidates for directorship which based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

Auditor's remuneration

During the year ended 31st March, 2008, the fees paid/payable to Deloitte Touche Tohmatsu, the existing auditor of the Company, in respect of audit is HK$1,380,000 (2007: HK$310,000).

Directors' responsibility for the financial statements

The Board is responsible for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Directors acknowledge their responsibility for preparing the financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

Internal control

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

Independent auditor's report

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF
GAY GIANO INTERNATIONAL GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Gay Giano International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 56, which comprise the consolidated balance sheet as at 31st March, 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.

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 judgement, 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 31st March, 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22nd July, 2008

Consolidated income statement

For the year ended 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	131,081	131,447
Cost of sales		(50,752)	(45,936)
Gross profit		80,329	85,511
Other income		1,571	931
Distribution costs		(48,393)	(47,641)
Administrative expenses		(54,742)	(40,509)
Finance costs	8	(409)	(278)
Loss before tax		(21,644)	(1,986)
Income tax expense	9	—	(572)
Loss for the year	10	(21,644)	(2,558)
Dividends	12	—	—
Loss per share	13		
— Basic		HK(10.28) cents	HK(1.28) cents
— Diluted		N/A	N/A

Consolidated balance sheet

As at 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	14	13,423	12,361
Rental deposits		4,761	4,459
		18,184	16,820
Current assets			
Inventories	15	21,794	25,603
Trade receivables, deposits and prepayments	16	35,693	2,128
Rental deposits		4,926	4,607
Tax recoverable		292	181
Pledged bank deposits	17	3,500	3,500
Bank balances and cash	18	6,176	10,790
		72,381	46,809
Current liabilities			
Trade payables and accruals	19	8,440	6,298
Amount due to a director	20	1,200	—
Secured bank borrowings	21	7,600	5,212
Obligation under a finance lease	22	59	279
		17,299	11,789
Net current assets		55,082	35,020
Non-current liabilities			
Obligation under a finance lease	22	—	159
Provision for long service payments	23	3,689	1,503
		3,689	1,662
		69,577	50,178
Capital and reserves			
Share capital	25	21,884	20,013
Reserves		47,693	30,165
		69,577	50,178

The consolidated financial statements on pages 25 to 56 were approved and authorised for issue by the Board of Directors on 22nd July 2008 and are signed on its behalf by:

Wong Pak Lam, Louis	Wong Kwong Lung, Terence
Director	Director

Consolidated statement of changes in equity

For the year ended 31st March, 2008

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Call options reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1st April, 2006	20,013	26,137	–	–	146	353	5,675	52,324
Surplus on revaluation of leasehold land and buildings	–	–	–	–	–	408	–	408
Exchange differences arising on translation of foreign operations	–	–	–	–	4	–	–	4
Total income recognised directly in equity	–	–	–	–	4	408	–	412
Loss for the year	–	–	–	–	–	–	(2,558)	(2,558)
At 31st March, 2007	20,013	26,137	–	–	150	761	3,117	50,178
Surplus on revaluation of leasehold land and buildings	–	–	–	–	–	714	–	714
Exchange differences arising on translation of foreign operations	–	–	–	–	108	–	–	108
Total income recognised directly in equity	–	–	–	–	108	714	–	822
Loss for the year	–	–	–	–	–	–	(21,644)	(21,644)
Total recognised income and expense for the year	–	–	–	–	108	714	(21,644)	(20,822)
Recognition of equity-settled share-based payment expenses	–	–	–	3,643	–	–	–	3,643
Shares issued	1,000	22,400	–	–	–	–	–	23,400
Transaction costs attributable to issue of shares	–	(361)	–	–	–	–	–	(361)
Transaction costs attributable to issue of call options	–	–	(270)	–	–	–	–	(270)
Issue of call options (note 26)	–	–	11,607	–	–	–	–	11,607
Issue of shares upon exercise of share options	871	1,331	–	–	–	–	–	2,202
At 31st March, 2008	21,884	49,507	11,337	3,643	258	1,475	(18,527)	69,577

Consolidated cash flow statement

For the year ended 31st March, 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Loss before tax	(21,644)	(1,986)
Adjustments for:		
Depreciation of property, plant and equipment	3,011	2,424
Loss on disposal of property, plant and equipment	1,051	1,286
Write down of inventories	4,769	1,804
Provision for long service payments	2,186	—
Provision for lease reinstatement costs	564	—
Share-based payment expenses	3,643	—
Interest income	(291)	(219)
Finance costs	409	278
Operating (loss) profit before working capital changes	(6,302)	3,587
(Increase) decrease in rental deposits	(621)	296
Increase in inventories	(960)	(12)
(Increase) decrease in trade receivables, deposits and prepayments	(665)	66
Increase (decrease) in trade payables and accruals	1,578	(3,164)
Cash (used in) generated from operations	(6,970)	773
Income taxes refunded	75	—
Income taxes paid	(186)	(189)
Interest paid	(409)	(278)
Net cash (used in) from operating activities	(7,490)	306
Investing activities		
Interest received	291	219
Proceeds on disposal of property, plant and equipment	214	35
Purchases of property, plant and equipment	(4,516)	(2,071)
Deposits paid for acquisition of investments	(32,900)	—
Net cash used in investing activities	(36,911)	(1,817)
Financing activities		
Repayments of secured bank borrowings	(23,469)	(18,980)
Secured bank borrowings raised	25,857	19,325
Repayments of obligation under a finance lease	(379)	(178)
Repayments of other loan	—	(59)
Advance from a director	1,200	—
Proceeds from issue of shares	23,400	—
Proceeds from issue of call options	11,607	—
Expenses on issue of shares	(361)	—
Expenses on issue of call options	(270)	—
Proceeds from issue of shares upon exercise of share options	2,202	—
Net cash from financing activities	39,787	108
Net decrease in cash and cash equivalents	(4,614)	(1,403)
Cash and cash equivalents at beginning of year	10,790	12,193
Cash and cash equivalents at end of year, represented by bank balances and cash	6,176	10,790

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

1. General

The Company was incorporated in Bermuda on 3rd February, 2000 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

During the year, the then ultimate holding company, Gay Giano (BVI) Group Limited, a company incorporated in the British Virgin Islands, disposed of its entire shareholding of the Company. Consequently, the directors consider the Company to be the ultimate holding company of the Group as at 31st March, 2008.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 35.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS(s)")/ Change of accounting estimates

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

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
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

The adoption of the new HKFRSs has 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.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS(s)")/ Change of accounting estimates (continued)

The Group has not early applied the following new and revised standards, amendments 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 & 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 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st January, 2008
[4] Effective for annual periods beginning on or after 1st July, 2008

The adoption of 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 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for 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.

The Group is in the process of making an assessment of what the impact of these amendments, new and revised standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2a. Change of accounting estimates

In previous years, leasehold improvements were depreciated at 20% per annum. With effect from 1st April, 2007, leasehold improvements are to be depreciated at 33.3% per annum. After reviewing the depreciation policy of comparable companies and the expected duration during which the Group's leasehold improvements can be utilised, the directors of the Company are of the opinion that the estimated useful life of the Group's leasehold improvements should be changed from 5 years to 3 years in order to reflect the real performance of the Group and help providing a clear financial comparison with other comparable companies. This constitutes a change in accounting estimate and is applied prospectively. This change in depreciation rate has increased the depreciation charge for the year by approximately HK$612,000.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain leasehold land and buildings which are measured at revalued amounts, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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.

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

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

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

3. Significant accounting policies (continued)

Revenue recognition

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

Royalty fee income is recognised on a straight-line basis over the royalty period.

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 that asset's net carrying amount.

Property, plant and equipment

Land and buildings held for use in production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sales or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Other property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, whether shorter, the term of the relevant lease.

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 consolidated income statement in the year in which the item is derecognised.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. Significant accounting policies (continued)

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.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Inventories

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

Employee benefit

Retirement benefits costs

Payments to defined contribution retirement benefit plans and Mandatory Provident Fund Scheme are charged as expense when employees have rendered services entitling them to the contributions.

Long service payments

The Group's net obligations in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group. The discount rate is the yield at balance sheet date based on Exchange Fund Notes which have terms similar to the estimated terms of the related liability.

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 the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. Significant accounting policies (continued)

Foreign currencies (continued)

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.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

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 items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 consolidated profit or loss.

Financial assets

The Group's financial assets are classified as 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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (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 receivables, deposits, 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 loans and receivables below).

Impairment of loans and receivables

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

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.

For certain categories of loans and receivables, such as trade receivables, 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 trade 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 to 60 days, observable changes in national or local economic conditions that correlate with default on trade receivables.

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 loans and receivables is reduced by the impairment loss directly for all loans and receivables 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 and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

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. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities (including trade payables, amount due to a director and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Equity-settled share-based payment transactions

Share options granted and vested before 7th November, 2002

The financial impact of share options granted is not recorded in the Company's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted after 7th November, 2002 and vested after 1st April, 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting period or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the share options granted. The fair values of the services received are recognised as expenses immediately.

4. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventory valuation

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

As at 31st March, 2008, the directors of the Company have identified slow-moving inventories during the year. Where the actual cash flows are less than expected, a material write-down of raw materials, work in progress and finished goods to estimated net realisable value may arise. The carrying amount of inventories at the balance sheet date was HK$21,794,000 (2007: HK$25,603,000) after a write-down of raw materials, work in progress and finished goods.

Provision for long service payments and annual leave

A provision is made for the estimated liability for long service payments and annual leave and the calculation of which involves assumptions and assessment on the employees' final salary, years of service, employee turnover rate, the change of labour market condition and other relevant economic and strategic policies. Adjustment of provision is dependent on the aggregate effect of relevant factors which involve considerable degree of estimation. The management will also consider taking reference to the independent valuers' report in assessing whether adjustment on provision is required. Where the actual cash flows are less than expected, a material provision for long service payments and annual leave may arise. The carrying amount of provision for long service payments and annual leave at the balance sheet date was HK$3,689,000 (2007: HK$1,503,000).

5. Capital risk management

The Group manages its capital to ensure that it 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 secured bank borrowings disclosed in note 21 and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and their associated risks thereto. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial instruments

6a. Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	42,813	14,598
Financial liabilities		
Amortised cost	10,573	7,818

6b. Financial risk management objectives and polices

The Group's major financial instruments include trade receivables, deposits, pledged bank deposits, bank balances, trade payables, amount due to a director, secured bank borrowings and obligation under a finance lease. Details of the financial instruments are disclosed in respective notes. 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

(i) Currency risk

The Group has foreign currency purchases, trade payables and secured bank borrowings denominated in foreign currencies, which expose the Group to market risk arising from changes in foreign exchange rates.

The carrying amounts of the Group's significant foreign currencies denominated monetary liabilities at the reporting date are as follows:

	2008 HK$'000	2007 HK$'000
United States Dollars ("USD")	2,980	1,565
Euro ("EUR")	4,830	4,490

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.

Sensitivity analysis

Given that the exchange rate between USD and HKD is pegged and the exposure is considered insignificant, the following only details the Group's sensitivity to a 5% increase and decrease in HKD against EUR. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in HKD/EUR exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the year end for a 5% change in foreign currency rate. A 5% strengthening of HKD against EUR will decrease loss for the year by approximately HK$199,000 (2007: HK$185,000), and vice versa.

6. Financial instruments (continued)

6b. Financial risk management objectives and polices (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to obligation under a finance lease carried at fixed interest rate as set out in note 22.

The Group is also exposed to cash flow interest rate risk in relation to pledged bank deposits, variable-rate bank balances and secured bank loans as set out in notes 17, 18 and 21 respectively. It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's foreign currencies denominated borrowing.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the balance sheet date (see notes 17, 18 and 21 for details of pledged bank deposits, bank balances and secured bank borrowings). The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rate.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year would decrease/increase by HK$2,000 (2007: HK$38,000). This is mainly attributable to the Group's exposure to interest rates on its pledged bank deposits, bank balances and secured bank borrowings.

Credit risk

As at 31st March, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

Credit risk arises from cash and cash equivalents and deposits with banks, as well as trade receivables of royalty fee income. Impairment provisions are made for losses that have been incurred at the balance sheet date. The credit risk on liquid funds is limited because the counterparties are banks with good reputation. The Group mitigates its exposure to risks relating to trade receivables by its established procedures in granting credit only to customers with sound credit track records. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any impairment losses.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

6. Financial instruments (continued)

6b. Financial risk management objectives and polices (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 borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as significant sources of liquidity. Details of which are set out in note 21. As at 31st March, 2008, the Group has available unutilised short-term bank loan facilities of approximately HK$3,900,000 (2007: HK$11,788,000).

The following table details the Group's remaining contractual maturity for its non-derivative 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.

Liquidity table

	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$'000	Carrying amount at 31.3.2008 HK$'000
2008							
Financial instruments							
Trade payables	–	1,773	–	–	–	1,773	1,773
Amount due to a director	–	1,200	–	–	–	1,200	1,200
Secured bank borrowings	8.81	–	7,825	–	–	7,825	7,600
Obligation under a finance lease	3.00	7	22	37	–	66	59
		2,980	7,847	37	–	10,864	10,632

	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$'000	Carrying amount at 31.3.2007 HK$'000
2007							
Financial instruments							
Trade payables	–	2,606	–	–	–	2,606	2,606
Secured bank borrowings	9.65	–	5,382	–	–	5,382	5,212
Obligation under a finance lease	3.00	25	75	309	66	475	438
		2,631	5,457	309	66	8,463	8,256

6c. Fair value

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

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

7. Segment information

Revenue represents the net amounts received and receivable for goods sold to outside customers during the year.

(a) Business segments

The Group is principally engaged in one business segment, which is the retail of fashion apparel.

(b) Geographical segments

The Group's operations and assets are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC").

The analysis of segment information of the Group by geographical location of customers is presented as below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March, 2008

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
REVENUE	131,081	–	131,081
RESULT			
Segment result	(11,497)	–	(11,497)
Unallocated income			291
Unallocated corporate expenses			(10,029)
Finance costs			(409)
Loss before tax			(21,644)
Taxation			–
Loss for the year			(21,644)

CONSOLIDATED BALANCE SHEET
As at 31st March, 2008

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	80,597	–	80,597
Unallocated corporate assets			9,968
Consolidated total assets			90,565
LIABILITIES			
Segment liabilities	12,188	–	12,188
Unallocated corporate liabilities			8,800
Consolidated total liabilities			20,988

7. Segment information (continued)

(b) Geographical segments (continued)

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March, 2007

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
REVENUE	129,533	1,914	131,447
RESULT			
Segment result	861	386	1,247
Unallocated income			219
Unallocated corporate expenses			(3,174)
Finance costs			(278)
Loss before tax			(1,986)
Taxation			(572)
Loss for the year			(2,558)

CONSOLIDATED BALANCE SHEET
As at 31st March, 2007

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	48,745	413	49,158
Unallocated corporate assets			14,471
Consolidated total assets			63,629
LIABILITIES			
Segment liabilities	8,228	11	8,239
Unallocated corporate liabilities			5,212
Consolidated total liabilities			13,451

In addition to the analysis by the geographical location of its customers, 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 in different geographical location of the customers.

	Carrying amounts of segment assets		Additions to property, plant and equipment	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong	**71,418**	43,556	**2,861**	2,435
The PRC	**9,179**	5,602	**1,655**	36
	80,597	49,158	**4,516**	2,471

8. Finance costs

	2008 HK$'000	2007 HK$'000
Interest on:		
— bank borrowings repayable within five years	379	261
— finance lease	30	16
— other loan wholly repayable within five years	—	1
	409	278

9. Taxation

	2008 HK$'000	2007 HK$'000
Hong Kong Profits Tax — current year	—	(1)
Deferred tax charge *(note 24)*	—	(571)
Taxation attributable to the Company and its subsidiaries	—	(572)

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for tax in other jurisdictions for both years has been made in the consolidated financial statements as neither the Company nor any of its subsidiaries had any assessable profit subject to tax in other jurisdictions.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the tax rate from 15% to 25% for the PRC subsidiary from 1st January, 2008.

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

	2008 HK$'000	2007 HK$'000
Loss before tax	(21,644)	(1,986)
Tax credit at the Hong Kong Profits Tax rate of 17.5% (2007: 17.5%)	(3,788)	(348)
Tax effect of expenses not deductible for tax purpose	706	449
Tax effect of income not taxable for tax purpose	(231)	(175)
Tax effect of tax losses not recognised	3,198	628
Tax effect of deductible temporary differences not recognised	118	45
Tax effect of utilisation of tax losses previously not recognised	(20)	(86)
Effect of different tax rates of operation in other jurisdiction	17	59
Tax charge for the year	—	572

10. Loss for the year

	2008 HK$'000	2007 HK$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 11)	6,197	3,174
Other staff costs	37,909	35,205
Retirement benefit scheme contributions, excluding directors	913	1,858
Provision for long service payments	2,186	—
Share-based payment expenses, excluding directors	1,171	—
Total employee benefit expense	48,376	40,237
Auditor's remuneration	1,401	310
Depreciation of property, plant and equipment	3,011	2,424
Minimum lease payments under operating leases on land and buildings	34,448	33,449
Write down of inventories	4,769	1,804
Cost of inventories recognised as expenses	50,752	45,936
Loss on disposal of property, plant and equipment	1,051	1,286
Foreign exchange losses, net	1,042	605
Share-based payment expenses to consultants	475	—
and after crediting to other income:		
Interest income	291	219
Royalty fee income	475	616

11. Directors' and employees' emoluments

(a) Directors' emoluments

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

2008

	Wong Pak Lam, Louis HK$'000	Wong Kwong Lung, Terence HK$'000	Wong Kin Tung** HK$'000	Cheung Yin Sheung, Subraina* HK$'000	Tong Kwong Fat* HK$'000	Yung Wing Sze, Vivian* HK$'000	To Ming Oi, Wendy* HK$'000	Chan Ka Ling, Edmond HK$'000	Ching Kwok Ho, Samuel HK$'000	Lo Wa Kei, Roy HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	100	113	84	75	372
Other emoluments:											
Salaries and other benefits	1,295	1,035	501	324	320	316	–	–	–	–	3,791
Retirement benefit scheme contributions	8	8	6	5	5	5	–	–	–	–	37
Share-based payment expenses	95	951	951	–	–	–	–	–	–	–	1,997
Total emoluments	1,398	1,994	1,458	329	325	321	100	113	84	75	6,197

11. Directors' and employees' emoluments (continued)

(a) Directors' emoluments (continued)

2007

	Cheung Yin Sheung, Subraina HK$'000	Tong Kwong Fat HK$'000	Yung Wing Sze, Vivian HK$'000	To Ming Oi, Wendy HK$'000	Chan Ka Ling, Edmond HK$'000	Ching Kwok Ho HK$'000	Lo Wa Kei, Roy HK$'000	Tsang Wai Kit HK$'000	Total HK$'000
Fees	–	–	–	240	100	66	60	3	469
Other emoluments:									
Salaries and other benefits	907	901	861	–	–	–	–	–	2,669
Retirement benefit scheme contributions	12	12	12	–	–	–	–	–	36
Total emoluments	919	913	873	240	100	66	60	3	3,174

* Cheung Yin Sheung, Subraina, Tong Kwong Fat, Yung Wing Sze, Vivian, and To Ming Oi, Wendy resigned on 24th August, 2007.
** Wong Kin Tung resigned on 28th January, 2008.

(b) Emoluments of highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors of the Company, whose emoluments are included in the disclosure set out in note (a) above. The emoluments of the remaining two (2007: two) highest paid individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**2,791**	3,301
Retirement benefit scheme contributions	**24**	24
	2,815	3,325

	2008 No. of employees	2007 No. of employees
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**–**	2

(c) During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during both years.

12. Dividends

No dividends were paid or proposed during each of the two years ended 31st March, 2008, nor has any dividend been proposed since the balance sheet date.

13. Loss per share

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK$'000	2007 HK$'000
Loss for the purpose of basic loss per share	(21,644)	(2,558)

Number of shares

	2008 '000	2007 '000
Number of ordinary shares for the purpose of basic loss per share	210,619	200,130

No diluted loss per share has been presented because the exercise price of the Company's share options was higher than the average market price for shares for 2008 and 2007.

14. Property, plant and equipment

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION						
At 1st April, 2006	5,400	10,714	3,521	14,353	3,453	37,441
Additions	—	1,187	12	862	410	2,471
Disposals	—	(3,339)	(183)	(6,665)	(462)	(10,649)
Surplus on revaluation	300	—	—	—	—	300
Exchange adjustments	—	106	104	16	8	234
At 31st March, 2007	5,700	8,668	3,454	8,566	3,409	29,797
Additions	—	1,598	3	1,023	1,892	4,516
Disposals	—	(1,695)	(59)	(1,166)	(683)	(3,603)
Surplus on revaluation	600	—	—	—	—	600
Exchange adjustments	—	403	380	68	133	984
At 31st March, 2008	6,300	8,974	3,778	8,491	4,751	32,294
Comprising:						
At cost	—	8,974	3,778	8,491	4,751	25,994
At valuation — 2008	6,300	—	—	—	—	6,300
	6,300	8,974	3,778	8,491	4,751	32,294
DEPRECIATION						
At 1st April, 2006	—	7,186	3,481	11,441	2,110	24,218
Provided for the year	108	842	9	1,028	437	2,424
Disposals	—	(2,743)	(183)	(6,082)	(320)	(9,328)
Surplus on revaluation	(108)	—	—	—	—	(108)
Exchange adjustments	—	104	103	15	8	230
At 31st March, 2007	—	5,389	3,410	6,402	2,235	17,436
Provided for the year	114	1,541	9	673	674	3,011
Disposals	—	(1,013)	(59)	(709)	(557)	(2,338)
Surplus on revaluation	(114)	—	—	—	—	(114)
Exchange adjustments	—	398	375	60	43	876
At 31st March, 2008	—	6,315	3,735	6,426	2,395	18,871
CARRYING VALUES						
At 31st March, 2008	6,300	2,659	43	2,065	2,356	13,423
At 31st March, 2007	5,700	3,279	44	2,164	1,174	12,361

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

Leasehold land and buildings	Over the remaining lease terms
Furniture and fixtures	20%
Leasehold improvements	33.3%
Motor vehicles	25%
Plant and machinery	20%

14. Property, plant and equipment (continued)

The Group's leasehold land and buildings were revalued at 31st March, 2008 by Messrs. Savills Valuation and Professional Services Limited ("Savills"), on an open market value basis. Savills, not connected with the Group, is a member of the Institute of Valuers and has appropriate qualification and recent experiences in valuation of similar properties. The valuation was arrived at by reference to sales evidence as available on the market.

The total surplus on revaluation of HK$714,000 (2007: HK$408,000) has been credited to the property revaluation reserve in equity.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at approximately HK$4,841,000 (2007: HK$4,944,000).

The leasehold land and buildings are situated in Hong Kong under medium-term leases.

The carrying value of the Group's motor vehicles includes an amount of HK$111,000 (2007: HK$516,000) in respect of assets held under finance lease.

15. Inventories

	2008 HK$'000	2007 HK$'000
Raw materials	4,600	3,505
Work in progress	1,362	1,198
Finished goods	15,832	20,900
	21,794	25,603

16. Trade receivables, deposits and prepayments

Sales to retail customers are settled in cash or using major credit cards while the Group allows an average credit periods of 30 to 60 days for royalty income receivables. The following is an aged analysis of trade receivables at the reporting date:

	2008 HK$'000	2007 HK$'000
Trade receivables — not yet due	237	308
Deposits and prepayments	35,456	1,820
	35,693	2,128

As at 31st March, 2008, included in deposits and prepayments is a deposit of HK$32,900,000 (2007: Nil) paid in respect of acquisition of equity interests in three mining companies in the PRC. This deposit was fully refunded to the Group subsequent to the balance sheet date (see note 33(a)).

17. Pledged bank deposits

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$3,500,000 (2007: HK$3,500,000) have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

The deposits carry fixed interest rate ranging from 1.05% to 2.5% (2007: 2.5% to 2.75%) per annum. The pledged bank deposits will be released upon the termination of relevant banking facilities.

18. Bank balances and cash

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at 0.15% to 2.25% (2007: 2.25% to 3%) per annum and have original maturity of three months or less.

19. Trade payables and accruals

The following is an aged analysis of trade payables at the balance sheet date:

	2008 HK$'000	2007 HK$'000
Trade payables		
Not yet due	1,392	2,368
Overdue up to 60 days	263	158
Overdue more than 60 days	118	80
	1,773	2,606
Accruals	6,667	3,692
	8,440	6,298

The amount of the Group's trade payables denominated in currency other than functional currencies of the relevant group entities are set out below:

	2008 HK$'000	2007 HK$'000
EUR	386	910

20. Amount due to a director

The amount due to a director is unsecured, interest-free and repayable on demand.

21. Secured bank borrowings

	2008 HK$'000	2007 HK$'000
Secured:		
Trust receipt loans — on demand or within one year	7,600	5,212

The bank loans carry interest at HIBOR over 1.5% to HIBOR over 2% per annum. The ranges of effective interest rates (which also equal to contracted interest rates) are as follows:

	2008	2007
Effective interest rate:		
Variable-rate borrowings	7% to 9.75%	9.25% to 10%

The amounts of the Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2008 HK$'000	2007 HK$'000
USD	2,980	1,565
EUR	4,444	3,580

22. Obligation under a finance lease

The Group has leased a motor vehicle under a finance lease. The lease terms are five years. Interest rate underlying the obligation under a finance lease is fixed at contract date for 3%. This lease, denominated in HKD, has no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Amounts payable under a finance lease				
Within one year	66	302	59	279
In more than one year but not more than five years	—	173	—	159
	66	475	59	438
Less: future finance charges	(7)	(37)		
Present value of lease obligations	59	438		
Less: Amount due for settlement with 12 months (shown under current liabilities)			(59)	(279)
Amount due for settlement after 12 months			—	159

The Group's obligation under a finance lease is secured by the lessor's charge over the leased asset.

23. Provision for long service payments

	2008 HK$'000	2007 HK$'000
Liabilities for employee benefits comprise:		
Long service payments	3,689	1,503

Long service payments

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. According to the Hong Kong Employment Ordinance, the directors have applied the statutory maximum retirement benefits each employee will be entitled in the calculation of long service payments.

(a) Movement for the year

	2008 HK$'000	2007 HK$'000
At beginning of the year	1,503	1,503
Expense recognised in the consolidated income statement	2,186	—
At end of the year	3,689	1,503

23. Provision for long service payments (continued)

(b) The valuation was calculated by Messrs. BMI Appraisals Limited ("BMI"), an independent third party, and BMI has appropriate qualification and recent experiences in valuation of similar provision for long service payments. The directors' assumptions with reference to the independent valuers' report used for accounting purposes at 31st March are as follows:

	2008	2007
Discount rate applied to pension obligations	**2.68%**	4.60%
Future salary increases	**2.00%**	1.70%

24. Deferred taxation

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1st April, 2006	1,387	(816)	571
(Charge) credit to consolidated income statement for the year	(737)	166	(571)
At 31st March, 2007	650	(650)	—
(Charge) credit to consolidated income statement for the year	(124)	124	—
At 31st March, 2008	526	(526)	—

At 31st March, 2008, the Group had unused tax losses of HK$50,712,000 (2007: HK$33,260,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses of HK$3,006,000 (2007: HK$3,714,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$47,706,000 (2007: HK$29,546,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At 31st March, 2008, the Group had deductible temporary differences of approximately HK$931,000 (2007: HK$257,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that the taxable profit will be available against which the deductible temporary differences can be utilised.

25. Share capital of the Company

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st April, 2006, 31st March, 2007 and 31st March, 2008	1,000,000	100,000
Issued and fully paid:		
At 1st April, 2006 and 31st March, 2007	200,130	20,013
Issue of shares (note a)	10,000	1,000
Issue of shares upon exercise of share options (note b)	8,710	871
At 31st March, 2008	218,840	21,884

(a) On 15th October, 2007, arrangements were made for a private placement of 10,000,000 shares of HK$0.10 each in the Company held by Ti Yu Investments Limited ("Ti Yu") at a price of HK$2.34 per share representing a discount of approximately 3.70% to the closing market price HK$2.43 of the Company's shares on 12th October, 2007. Ti Yu is a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly and beneficially owned by Mr. Wong Pak Lam, Louis, a director of the Company.

Pursuant to a subscription agreement of the same date, Ti Yu subscribed for 10,000,000 new shares of HK$0.10 each in the Company at a price of HK$2.34 per share. Transaction expenses of HK$361,000 were incurred for issue of shares. The net proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the board of directors on 28th September, 2007. They rank pari passu with the then existing shares in issue in all respects.

(b) During the year ended 31st March, 2008, 8,710,000 shares options were exercised at HK$0.2528 per share, resulting in issue of a total of 8,710,000 ordinary shares of HK$0.10 each in the Company.

(c) The shares issued during the year ranked pari passu with the then existing shares in all respects.

26. Call options

On 25th September, 2007, the Company issued to independent placees 40,026,000 call options at an option issue price of HK$0.1 for each option. The option period is 18 months commencing from the date of granting of the options. Upon exercise of each option, the placee will be able to subscribe for one share of par value HK$0.10 each in the Company at an initial subscription price of HK$2.80. A sum representing 10% of the subscription price has been received by the Company from the placees upon signing of the options agreements as deposit and partial payment of the subscription price for the subscription shares which is non-refundable. The proceeds of issue of call options, including the non-refundable deposits received, of HK$11,607,000 was credited to the call options reserve. Transaction expenses of HK$270,000 were incurred for the issue of call options.

During the year ended 31st March, 2008, no options were exercised.

27. Share options

The operation of the share option scheme adopted by the Company on 14th March, 2000 (the "Old Scheme") was terminated upon the adoption of the New Scheme (as defined below). In such event, no further option would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme.

On 10th September, 2002, at the annual general meeting, the Company adopted a new share option scheme (the "New Scheme") under which the Board of Directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies which the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. By reason of voluntary resignation or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company, otherwise than on redundancy, or because his employing company ceases to be a member of the Group, all options to the extent not already exercised shall lapse and expiry of the date shall be determined by the directors' discretion.

27. Share options (continued)

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue upon completion of the share offer and the capitalisation issue of the time dealings in the shares commence on the Stock Exchange unless a fresh approval from the shareholders of the Company has been obtained.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time. The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the New Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in twelve-month period must not exceed 1% of the issued share capital of the Company.

Option granted under the New Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for the shares under the New Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall not be lower than the highest of: (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the offer date, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

Details of the share options granted under the New Scheme to directors of the Company and certain employees and consultants of the Group under the New Scheme during the year and movement in such holding during the year are as follows:

	Date of grant	Exercisable period	Exercise price per share	Outstanding at 1st April, 2006	Lapsed during the year	Outstanding at 31st March, 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st March, 2008
			HK$							
Directors	21.11.2007	21.11.2007 to 20.11.2017	2.334	–	–	–	4,595,640	–	–	4,595,640
	5.2.2001	5.2.2001 to 4.2.2011	0.2528	4,770,000	–	4,770,000	–	(1,500,000)	(3,270,000)	–
Employees	21.11.2007	21.11.2007 to 20.11.2017	2.334	–	–	–	2,694,000	–	–	2,694,000
	5.2.2001	5.2.2001 to 4.2.2011	0.2528	10,390,000	(80,000)	10,310,000	–	(7,210,000)	(3,100,000)	–
Consultants	21.11.2007	21.11.2007 to 20.11.2017	2.334	–	–	–	1,094,000	–	–	1,094,000
				15,160,000	(80,000)	15,080,000	8,383,640	(8,710,000)	(6,370,000)	8,383,640

On 21st November, 2007, 8,383,640 options were granted and their estimated fair values is HK$3,643,000.

Upon the cessation of the directorships and employment of the relevant grantees, 6,370,000 options were lapsed during the year.

These fair values were calculated using the Trinomial Option Pricing Model (the "Model"). The inputs into the Model were as follows:

	2008
Closing share price at the date of grant	HK$2.250
Exercise price	HK$2.334
Expected volatility	81.22%
Option life	10 years
Risk-free rate	3.51%
Expected dividend yield	0%
Fair value per share option	HK$0.4345

Due to the recent unsuccessful takeover bid on the mining companies in October 2007, the extraordinarily volatile period of time was excluded when determining the expected volatility above. Volatility of the underlying company's share price was estimated by the average annualised standard deviations of the continuously compounded rates of return on the underlying assets' share price quoted by Bloomberg.

27. Share options (continued)

The fair values were calculated by Messrs. Greater China Appraisal Limited, an independent third party. The Model is one of the commonly used models to estimate the fair value of the options. The variables and assumption used in computing the fair value of the share options are based on directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option.

A consideration of HK$7 was received during the year for taking up the options granted.

The closing price of the shares of the Company on 21st November, 2007 immediately before the grant of the share options was HK$2.250 per share.

The Group recognised the total expense of HK$3,643,000 for the year ended 31st March, 2008 (2007: Nil) in relation to share options granted by the Company.

28. Operating lease commitments

During the year, the Group made rental payments for office premises and retail shops under operating leases as follows:

	2008 HK$'000	2007 HK$'000
Minimum lease payments	33,340	32,876
Contingent rental payments	1,108	573
	34,448	33,449

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	29,688	25,061
In the second to fifth years inclusive	24,284	20,346
	53,972	45,407

Operating lease payments represent rentals payable by the Group for certain of its office premises and retail shops. Leases are negotiated for one to two years with rental fixed throughout the rental period.

29. Banking facilities and pledge of assets

At 31st March, 2008, the Group's banking facilities were secured by bank deposits as set out in note 17.

30. Retirement benefits plans

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary.

30. Retirement benefits plans (continued)

For members of the MPF Scheme, the Group contributes the lower of HK$1,000 or 5% of relevant payroll costs to the scheme, this contribution is matched by the employees.

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

During the year, the retirement benefit scheme contributions amounted to approximately HK$950,000 (2007: HK$1,894,000).

31. Capital commitments

	2008 HK$'000	2007 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	381	—

32. Major non-cash transactions

For the year ended 31st March, 2007, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK$400,000.

33. Post balance sheet events

(a) On 3rd April, 2008, a proposed acquisition of a 70% equity interests in three mining companies was terminated due to non-fulfillment of certain conditions precedent as stated in the agreement. As such, the Company is not obligated to issue the convertible bonds which were initially proposed for payment of the acquisition. In addition, a deposit for the acquisition of HK$32.90 million was refunded to the Group on 23rd June, 2008.

(b) On 27th May, 2008, the Company entered into a sale and purchase agreement for the acquisition of 100% shareholding interest of a group of companies which is principally engaged in development and operation of highways and property investment in the PRC. The total consideration for the acquisition is RMB460 million, to be satisfied by RMB50 million in cash and RMB410 million in issuing of convertible bonds, subject to certain conditions including approval by the Company's shareholders in a general meeting. Further details of the transaction are set out in an announcement issued by the Company on 11th June, 2008.

34. Related party disclosures

(i) Related party transaction

During the year, the Group had the following significant transaction with a related party:

Nature of transaction	2008 HK$'000	2007 HK$'000
Rental expenses paid	1,050	2,640

note: The rental expenses for certain office premises were paid to Boldsmore International Limited, a company in which Ms. Cheung Yin Sheung, Subraina, a former director of the Company, has beneficial interest.

34. Related party disclosures (continued)

(ii) Compensation of key management personnel

The remuneration of the key management personnel during the year was as follows:

	2008 HK$'000	2007 HK$'000
Short term benefits	4,163	3,138
Retirement benefit scheme contributions	37	36
Share-based payment expenses	1,997	—
	6,197	3,174

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

(iii) Related party balances

Details of a balance with Mr. Wong Pak Lam, Louis, a director of the Company, as at 31st March, 2008 are set out in note 20.

(iv) Private placement of shares

Details of issue of 10,000,000 shares of HK$0.10 each in the Company held by Ti Yu, of which Mr. Wong Pak Lam, Louis, is the beneficial owner of Ti Yu and a director of the Company, are set out in note 25(a).

35. Principal subsidiaries

Particulars of the principal subsidiaries of the Company at 31st March, 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by Company % 2008	2007	Principal activities
Directly held:					
Gay Giano Holdings Limited	British Virgin Islands	US$1,000	100	100	Investment holding
Sky Cypress Limited	British Virgin Islands	US$1	100	—	Investment holding
Indirectly held:					
Belarus Limited	Hong Kong	HK$3,000	100	100	Sourcing of materials and investment holding
Cour Carré (Asia) Limited	British Virgin Islands	US$1	100	100	Investment holding
Cour Carré Company Limited	Hong Kong	HK$1,000	100	100	Retail of fashion apparel and complementary accessories
Cour Carré World Limited	British Virgin Islands	US$1	100	100	Wholesale of fashion apparel and complementary accessories

35. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by Company % 2008	2007	Principal activities
Diamante Globe Limited	British Virgin Islands	US$1	100	—	Investment holding
Due G Company Limited	Hong Kong	HK$10,000	100	100	Retail of fashion apparel and complementary accessories
Gay Giano Company Limited	Hong Kong	HK$1,000,000	100	100	Retail of fashion apparel and complementary accessories
Gay Giano International Limited	Hong Kong	HK$1,000	100	100	Investment holding and provision of administrative services
Gay Giano Technology Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Provision of information technology services
Maxrola Limited	Hong Kong	HK$2	100	100	Property investment
Shenzhen Longwei Fashion Mfg. Co., Ltd.*	PRC	HK$12,000,000	100	100	Manufacture and distribution of fashion apparel
Tai Yi Holdings Limited	Hong Kong	HK$10,000	100	—	Investment holding

* A wholly owned foreign enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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