利來控股有限公司

LeRoi Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 221

LeRoi

2009 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Chun Hong, Thomas
(Chairman & Managing Director)
Mr. Cheung Wai Kai
Mr. Wong Yiu Hung, Gary

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

LEGAL ADVISERS

DLA Piper Hong Kong
K&L Gates
Morrison & Foerster

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

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

REGISTERED OFFICE

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

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking
Corporation Limited

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

HOMEPAGE

www.leroiholdings.com

STOCK CODE

221

Chairman's Statement

On behalf of the board of directors (the "Board" or "Directors") of LeRoi Holdings Limited (the "Company"), I hereby present to you the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009.

Upon completion in July 2008 of the acquisition of the remaining 50% equity interest in the company ("PRC Company") which owns a land site of approximately 2.4 million square feet in Fuzhou, Jiangxi Province, the People's Republic of China (the "PRC"), the Group has taken full ownership of the PRC Company indirectly and can take the benefit of the full return from the project. The land is intended to be developed into a residential cum commercial complex. This represents the Group's first entry into property development in Fuzhou, the PRC.

Despite the fact that the operation of property development activities are usually of relatively longer maturity, the Group managed to achieve a return by disposing of investment properties consisting of 54 residential units located at Hong Kong at a total consideration of HK$63.4 million in March 2009. The disposal offered a good opportunity to increase the general working capital of the Group. The Group will also look for high quality investment properties in the PRC to maximise the return from property development business.

Completion of the acquisition of approximately 27.14% of the issued share capital of the Hong Kong Stock Exchange main board listed China Agri-Products Exchange Limited ("China Agri-Products") took place in February 2009. As businesses involved in the sale of agricultural produce in the PRC provide essential services for the 1.3 billion population, and in light of the increasing households income levels in the PRC and the favourable government policies on agriculture, the Group believes that there is significant up-side potential in its investment in this company.

Despite many uncertainties in the international economic environment, the Group aims to always capture on any good investment timing and to identify new focus for business development. In this regard, the Group has taken a number of encouraging business development initiatives. In July 2009, the Group entered into a sale and purchase agreement for an acquisition of a timber logging, and forest operation and management business with timber logging concession right at Maimai Forest in Papua New Guinea. Based on the initial information available to the Group, the estimated timber volume of the timber is approximately 10 million cubic metres with around 240,000 hectares, which is doubled than the total area of Hong Kong area. In the long-run, the price of natural resources will inevitably increase. This acquisition will enhance the profitability and room for growth of the Group as well as offer opportunity for the Group to diversify its business into a new areas of high-growth potential.

The Group is also exploring the potential of diversifying into the natural resources industry by way of a subscription of new shares of Abterra Ltd. ("Abterra"), a company incorporated in the Republic of Singapore and whose shares are listed on the main board of The Singapore Exchange Securities Trading Limited for which the consideration will be satisfied in the form of issue of the new shares of the Company in return. As one of the major shareholders, the Group can consider forming a strategic alliance with Abterra, which is specialised in natural resources related industry. This investment will enable the Group to leverage on the experience of Abterra in such area.

Looking forward, we expect the year ahead to remain challenging but also offer a lot of growth opportunities. The Group will continue to be diligent in exploring new business opportunities which will deliver good returns to our shareholders.

On behalf of the Board, I would like to extend my heartfelt gratitude to our management team and all our staff for their hard work and contribution to the Group during the past year. I would also like to extend my sincere gratitude to our shareholders, institutional investors, customers, clients and suppliers for their continuous supports and confidence in the Group.

Chan Chun Hong, Thomas
Chairman

Hong Kong, 22 July 2009

FINANCIAL RESULTS

For the year ended 31 March 2009, the Group recorded a turnover of approximately HK$61.8 million (2008: approximately HK$44.7 million), representing an increase of approximately 38.2% as compared with last year. This is primarily due to the increase of number of shops and the product price of the fresh pork retailing business. Profit margin was increased slightly from 33.6% to 37.3% mainly due to the price increase of pork. The Group's loss attributable to equity holders for the same period rose by 248.3% to approximately HK$206.0 million (2008: loss of approximately HK$59.2 million) mainly due to the impairment of prepaid lease payments and the impairment of interest in an associate.

DIVIDEND

The directors of the Company does not recommend any dividend for the year ended 31 March 2009 (2008: nil).

OPERATION AND BUSINESS REVIEW

During the year under review, the Group was principally engaged in the business of property development and retailing of fresh pork meat.

Property Development

On 31 July 2008, the Group entered into an agreement to acquire, for a consideration of HK$197.8 million, a company which holds an effective 50% equity interest in a PRC company, in which the other 50% was already held by the Group. After the completion of the acquisition, the Group now has full ownership of a land site of approximate 2.4 million square feet in Fuzhou, Jiangxi Province, the PRC. It is intended that the land will be developed into a residential cum commercial complex. Such acquisition represented a significant expansion of the Group's property development business in the PRC and has given the Group full ownership over the development which is expected to benefit from the continuing economic development of Fuzhou. As of the date of this report, the Group's property development portfolio in the PRC is as follows:

City/Province	**Percentage of ownership interest**	**Approximate site area** *(square feet)*	**Development plan**
Fuzhou, Jiangxi Province	100%	2,400,000	Residential cum commercial complex
Dongguan, Guangdong Province	100%	690,000	Residential cum commercial complex
Total		**3,090,000**	

During the year, the Group submitted the layout designs of these two projects in the PRC for approval and applied for the appropriate licenses from the relevant PRC authorities. The Group will continue to consider potential projects in the PRC in order to strengthen our PRC property development portfolio.

Retailing of Fresh Pork Meat and Related Products

The sale of fresh pork meat and related products in Hong Kong continued to generate steady income and cash flow for the Group during the year under review. The number of stalls increased from 13 to 17 as at 31 March 2009. It is expected this profitable business will continue to bring a significant contribution and stable cashflow towards the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of interest in China Agri-Products Exchange Limited

To capture the potential offered by a significant stake in a PRC-based business selling agricultural produce in light of the large population with increasing household income level in the PRC and the favorable policies on agriculture of the PRC government, the Group entered into an agreement on 30 October 2008 to acquire 27.14% of the issued share capital of China Agri-Products, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The acquisition was completed in February 2009. During the period under review and subsequent to the completion of this acquisition, the Company further acquired 54,000,000 China Agri-Products shares in the open market to increase its stake in China Agri-Products. As at 31 March 2009, the Group held 28.49% of issued share capital of China Agri-Products.

Disposal of the entire interest of Everlong Limited and its subsidiaries

On 13 February 2009, the Group entered into an agreement with Wang On Enterprises (BVI) Limited for the disposal of the entire interest of Everlong Limited and its subsidiaries ("Everlong Group") at the consideration of HK$63.4 million ("Disposal"). The principal assets of Everlong Group were 54 residential units in Hong Kong which had a gross floor area of approximately 32,600 square feet. The Directors considered that the Disposal would allow the Group to have more resources to focus on property development in the PRC and to seek other new business opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2009 were approximately HK$711.5 million (2008: approximately HK$869.0 million) and total liabilities and shareholders' fund were approximately HK$224.7 million (2008: approximately HK$182.4 million) and approximately HK$486.8 million (2008: approximately HK$686.6 million) respectively. The current ratio decreased from approximately 42.1 times in 2008 to approximately 11.7 times in 2009 which was mainly attributable to cash funding required by the acquisition of 27.14% interest in China Agri-Products and acquisition of 50% equity interest in a PRC company which holds a land in Fuzhou, Jiangxi Province. As at 31 March 2009, the Group did not have any bank borrowings. As at 31 March 2009, there were outstanding 3% convertible bonds with an aggregate principal of HK$190 million issued in October 2007 by the Company to a subsidiary of the Company's substantial shareholder, and a HK$40.0 million loan from a related company.

Exposure to Fluctuation in Exchange Rates

The revenue and bank deposit of the Group, and its operating costs, are mainly denominated in Renminbi ("RMB") and Hong Kong dollars. The Group has exposure to the risk of RMB exchange rate fluctuations on account of its property development in the PRC. The Company has not employed any hedging instruments or derivative products. In order to minimise the exchange rate risk, the Group intends to make use of local bank borrowings in RMB to finance the construction at the PRC property development projects and utilise the sale proceeds of these projects to repay such bank borrowings.

Contingent Liabilities and Charge on Assets

As at 31 March 2009, there was no significant contingent liability (2008: Nil) and there was no asset being pledged to secure banking facilities (2008: Nil).

FUTURE PLANS AND PROSPECTS

The Group endeavors to develop a diversified business portfolio in different locations. Looking forward, the Group will maintain its steady focus on its existing business and yet remain strategically focused on future expansion. As a niche property developer in the PRC, we expect that we can benefit from the growing opportunities in this sector. As a strategic investor in an agricultural produce wholesaler in the PRC, the Group expects to enjoy good and steady returns due to the expected growth in this market in the PRC. As a potential new investor in the forestry industry, the Group is optimistic about the growth demand of timber market in the PRC and East Asia in the years ahead. Based on preliminary information available to the Group, the estimated timber volume of the timber is approximately 10 million cubic metres with total land area of approximately 240,000 hectares, which is doubled than the total area of Hong Kong. Details were disclosed in the Company's announcements dated 11 June 2009 and 13 July 2009 respectively. It is preliminary expected that we can start to export timber around the end of 2010. Coupled with the expected steady growth in the regional economy in the PRC and East Asia, the Group will strive to maintain a strategy that can ensure balanced and sustainable development of our business in order to deliver long-term benefits to shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2009, the Group employed a total of 54 employees (2008: 50). The Group has adopted a performance based on rewarding system to motivate the staff and such system is reviewed on a regular basis. The shareholders of the Company adopted a share option scheme (the "Share Option Scheme") on 8 October 2002 which is in compliance with Chapter 17 of The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). As at 31 March 2009, no share option had been granted or was outstanding under the Share Option Scheme.

Board of Directors and Senior Management

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Chun Hong, Thomas, aged 45, joined the Group as the managing Director of the Company in January 2007 and is also appointed to take up the role of the chairman of the Company in June 2008. He is responsible for overall strategy formulation, policy making, managing the corporate matters and overall operations of the Group. He graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He is also an executive director of Wang On Group Limited ("WOG"), Wai Yuen Tong Medicine Holdings Limited and China Agri-Products and an independent non-executive director of Shanghai Prime Machinery Company Limited, all companies are listed on the main board of the Stock Exchange.

Mr. Cheung Wai Kai, aged 53, was appointed as an executive Director of the Company in January 2007. He is responsible for general management and business management of the Group in which he has extensive experience.

Mr. Wong Yiu Hung, Gary, aged 52, was appointed as an executive Director of the Company in February 2008. He has over 27 years' experience in property development, leasing, sales and marketing. Prior to joining the Group, Mr. Wong was a general manager of the property development of WOG, a company listed on the main board of the Stock Exchange. Mr. Wong previously held various senior positions in several local property development companies, including a renowned listed property developer in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Ka Man, aged 42, joined the Company as an independent non-executive Director in January 2007. He is the chairman of audit committee of the Company and a member of remuneration committee and nomination committee of the Company. He has over 17 years of professional experience in auditing, accounting and financial management for both private and listed corporations. Mr. Sin is a certified public accountant of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia. Mr. Sin holds a bachelor degree in Social Sciences from the University of Hong Kong, a master degree in Finance from the University of Strathclyde, the United Kingdom and a master degree in accounting from Curtin University of Technology, Australia. Mr. Sin is also an independent non-executive director of Chinese People Holdings Company Limited and Xtep International Holdings Limited, companies listed on the Stock Exchange, and Sino Haijing Holdings Limited, a company listed on The Growth Enterprise Market of the Stock Exchange.

Mr. Yuen Kam Ho, George, FHKIoD, aged 65, joined the Company as an independent non-executive Director in March 2007. He is a member of audit committee and remuneration committee of the Company and the chairman of nomination committee of the Company. Mr. Yuen is currently an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited and Tradelink Electronic Commerce Limited, both are the Hong Kong listed companies. He graduated from The University of Hong Kong with a Bachelor's Degree (Honors) in Economics and Political Science. Mr. Yuen has attended post-graduate studies in marketing management at the International Marketing Institute, Cambridge, Massachusetts, U.S.A. and has completed the Hong Kong Administrators Course (commissioned by the Hong Kong Government) in public administration and international relations at Oxford University, the United Kingdom, and the International Executive Program in INSEAD, France respectively. In June 2003, Mr. Yuen was admitted to the Leadership in Development Program organised by Kennedy School of Government, Harvard University. In June 2004, Standford University, California, U.S.A. had also invited Mr. Yuen to participate in its "Corporate Governance" forum and in early 2006 the University awarded a fellowship to Mr. Yuen as a non-profit leader at its Centre for Social Innovation. Mr. Yuen had been Chief Executive of The Better Hong Kong Foundation for nine years since September 1997. Prior to his joining the Foundation, he was the Assistant Director/Acting Deputy Director of the Information Services Department of the Hong Kong Government. Mr. Yuen plays an active role in organising international business conferences in Hong Kong and also takes part in numerous government and community activities, including being a board member of the East-west Strategic Development Commission and a Special Adviser of the China National Committee for Pacific Economic Cooperation (PECC China). Mr. Yuen was the Panel member of the Central Policy Unit of the HKSAR Government on the Pan-Pearl River Delta between 2003 and 2007. Mr. Yuen is currently a member of The Chinese People's Political Consultative Conference, Guangxi Autonomous Region, China, an adviser of the Institute of Finance and Trade Economics, Chinese Academy of Social Sciences, an adviser of The Shanghai Academy of Social Sciences, China, an adviser of The Board of International Investment of Guangzhou Municipality, China. Mr. Yuen is a Fellow of the Hong Kong Institute of Directors, a member of the British Institute of Management and the Institute of Marketing, U.K., and was also commended by the U.S. President, George W. Bush for his efforts in support of coalition's campaign against global terrorism.

Mr. Cheung Sau Wah, Joseph, PMSM, aged 58, joined the Company as an independent non-executive Director in March 2007. He is a member of audit committee and nomination committee of the Company and the chairman of remuneration committee of the Company. Mr. Cheung served in Hong Kong Police Force over 35 years and retired in November 2006 as a Senior Superintendent of Police. He was awarded a Police Meritorious Service Medal (PMSM) in 2003 by the Chief Executive of the Hong Kong SAR for his consistent outstanding performance in the Hong Kong Police Force.

SENIOR MANAGEMENT

Mr. Leung Sui Wah, Raymond is the Financial Controller of the Group. He holds a Master degree in Business Administration and Master of Arts from the University of Hong Kong and City University of Hong Kong respectively. He is a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of Chartered Institute of Purchasing and Supply and Certified Information Security Manager of Information Systems Audit and Control Association. Prior to joining the Group, he had over 17 years' experience in corporate finance, accounting and company secretarial matters in Hong Kong and the PRC.

Mr. Pang Mo Chiu, Chris is the Senior Business Development Manager of the Group. He holds a Master Degree of Management (Logistics & Operations Management) from Macquarie University - Australia and a Bachelor Degree in Business Administration in RMIT University - Australia respectively. Prior to joining the Group, he had over 14 years' experience in retails operation and management in Hong Kong and the PRC.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognises that such commitment is essential in upholding accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

To ensure compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules, the Board periodically reviews and proposes necessary amendments so as to maintain the high standard of corporate governance. The Company had complied with the code provisions set out in the CG Code throughout the year ended 31 March 2009, except for the following deviation:

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive officer" but Mr. Chan Chun Hong, Thomas has been appointed as managing Director since January 2007 to take up the role same as the chief executive officer.

On 2 June 2008, Mr. Hung Man Sing resigned as chairman and executive Director of the Company and Mr. Chan Chun Hong, Thomas, in addition to his existing position as executive Director and managing Director, was also appointed as the chairman of the Group. Details are set out below in the section headed "Roles of Chairman and Managing Director" of this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Chan Chun Hong, Thomas	*Chairman and Managing Director*
Mr. Cheung Wai Kai	
Mr. Wong Yiu Hung, Gary	
Mr. Hung Man Sing	(resigned on 2 June 2008)
Mr. Ng Cheuk Fan, Keith	(resigned on 2 June 2008)

Independent Non-executive Directors:

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

The biographical details of the Directors are set out on pages 8 to 9 of this annual report.

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

All existing independent non-executive Directors are free from any business or other relationship with the Company. The Company has received from each of the existing independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the three independent non-executive Directors to be independent. All of the independent non-executive Directors are appointed for specific terms and are subject to retirement by rotation in accordance with the Company's articles of association.

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

The Board, which meets at least four times a year with additional meetings arranged when necessary, has a schedule of matters reserved for its approval. The specific responsibility reserved for the Board includes matters in relation to the strategy and overall management of the Group including but not limited to capital, corporate and control structures, financial reporting and controls, internal control, major capital projects and contracts, communication with the shareholders, director's remuneration and the Group's overall corporate governance arrangements. At least 14 days notice for each regular meeting is given to all Directors. Agendas and accompanying Board papers are sent to all Directors before the date of a Board meeting to ensure that Directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to Directors for their review and comment while final version of the said minutes, when duly signed, are sent to all members of the Board for their records. All such minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

During the year, four Board meetings were held and the attendance of each Director is set out below:

Directors	**Attendance**
Mr. Chan Chun Hong, Thomas	4/4
Mr. Cheung Wai Kai	4/4
Mr. Wong Yiu Hung, Gary	4/4
Mr. Sin Ka Man	4/4
Mr. Yuen Kam Ho, George	4/4
Mr. Cheung Sau Wah, Joseph	4/4

ACCOUNTABILITY AND INTERNAL CONTROL

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

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. It is the responsibility of the Board to maintain the internal control systems of the Group. During the year, the Board has conducted a review of the effectiveness of internal control systems of the Group. The Board's annual review for the ensuing year will further cover the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget pursuant to an amended CG Code provisions which became effective on 1 January 2009.

ROLES OF CHAIRMAN AND MANAGING DIRECTOR

Mr. Chan Chun Hong, Thomas has been appointed as managing Director of the Company since January 2007. Immediately following the resignation of Mr. Hung Man Sing as the chairman and executive Director of the Company on 2 June 2008, Mr. Chan Chun Hong, Thomas also redesigned as the chairman and managing Director of the Company.

Mr. Chan currently takes up the roles of chairman and managing Director and is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group. Mr. Chan has extensive experience in the industry which is of great value to overall development of the Company. The Company does not propose to comply with code provision A.2.1 for the time being as the Board considers that the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals with a balance of skills and experience appropriate for the requirements of the Group. The current structure also allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing competitive environment.

The Board will continue to review and recommend such proposals, as appropriate, in aspect of such non-compliance.

BOARD COMMITTEE

The Board has established three committees, including audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), each of which has the specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary of the Company, are circulated to all Board members. Each committee is required to report to the Board on its decision and recommendations where appropriate.

Audit Committee

The Audit Committee was established on 8 October 2002 with the specific written terms of reference in accordance with the scope of duties stated in the provisions of the CG Code for the purposes of reviewing the Group's financial reporting, internal control and making relevant recommendations to the Board.

Pursuant to the code provision C.3.3 of the amended CG Code effective from 1 January 2009, the terms of reference of the audit committee are required to oversee the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budgeting. Accordingly, the terms of reference of the Audit Committee of the Company have been revised in accordance with the amended CG Code and adopted by the Board effective from 25 March 2009.

The principal duties of the Audit Committee include making recommendations to the Board in relation to the appointment, re-appointment of the external auditors and its independence; reviewing the interim and annual financial statements and reports and consider any significant or unusual items raised by the external auditors before submission to the Board; and reviewing the effectiveness of the Company's financial reporting system, internal control system and its associated procedures.

In addition to the above, the Audit Committee has also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes are budget at its committee is provided with sufficient resources to discharge its duties and has aware of independent professional advise according to the Company's policy if considered necessary during the year.

During the year under review, the Audit Committee comprises three independent non-executive Directors, namely Mr. Sin Ka Man, Mr. Yuen Kam Ho, George and Mr. Cheung Sau Wah, Joseph who together have substantial experiences in the fields of accounting, business, regulatory affairs and corporate governance. Mr. Sin Ka Man is the chairman of the Audit Committee.

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

Members of the Audit Committee	**Attendance**
Mr. Sin Ka Man *(Chairman)*	2/2
Mr. Yuen Kam Ho, George	2/2
Mr. Cheung Sau Wah, Joseph	2/2

The existing members of the Audit Committee had reviewed with the management and the external auditors the financial statements for the year ended 31 March 2009.

Remuneration Committee

The Board set up the Remuneration Committee in July 2005 with specific written terms of reference which deal with its authority and duties. It currently consists of five members, including Mr. Cheung Sau Wah, Joseph (Chairman), Mr. Yuen Kam Ho, George, Mr. Sin Ka Man, Mr. Chan Chun Hong, Thomas and Mr. Cheung Wai Kai, a majority of whom are independent non-executive Directors.

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

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

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

The remuneration payable to the Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same were reviewed by the Remuneration Committee. Details of the Directors' remuneration are set out in note 10 to the financial statements.

Nomination Committee

The Nomination Committee was established in October 2007 and currently consists of five members, including Mr. Yuen Kam Ho, George (Chairman), Mr. Cheung Sau Wah, Joseph, Mr. Sin Ka Man, Mr. Chan Chun Hong, Thomas and Mr. Cheung Wai Kai, a majority of whom are independent non-executive Directors.

The Nomination Committee has adopted a written terms of reference stipulating criteria for the selection and recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

During the year, the Nomination Committee did not hold any meeting.

EXTERNAL AUDITORS' REMUNERATION

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

Services rendered for the Group	Fees paid/payable to HLB
	HK$'000
Audit services:	
– annual financial statements	900
Non-audit services:	
– other professional services	546

COMMUNICATION WITH SHAREHOLDERS

The Company always adheres to high standards with respect to the disclosure of its financial positions.

The Company uses a number of formal communication channels to disseminate to shareholders regarding the performance of the Company in a timely manner. These include the publication of annual report, interim report, periodic company announcements and circulars through websites of the Stock Exchange, as well as the Company. In order to provide effective and timely disclosure to investors and potential investors, information considered to be of a price sensitive nature is released by way of formal public announcements as required by the Listing Rules.

The Company also acknowledges that general meetings including annual general meeting held in August 2008 are valuable forums for the Board to communicate with the Shareholders directly and members of the Board and committee are encouraged to attend and answer questions at the general meetings.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The Directors acknowledge their responsibilities for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on pages 24 to 25 of this annual report.

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

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries comprise the sale of fresh pork meat and related produce, property holding and property development.

RESULTS

The results of the Group for the year ended 31 March 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 127.

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

JOINTLY-CONTROLLED ENTITIES AND SUBSIDIARIES

Details of the Company's principal jointly-controlled entities and subsidiaries at 31 March 2009 are set out in notes 22 and 23 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the share capital, share options and convertible bonds of the Company during the year, together with the reasons therefor, are set out in notes 34, 35 and 32 to the financial statements, respectively.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interest of the Group for the last five financial years, as extracted from the Company's audited financial statements and reclassified as appropriate, prepared on the basis set out therein is set out on pages 128 to 130 of this annual report. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES, PREPAID LEASE PAYMENTS AND PROPERTY UNDER DEVELOPMENT

The Group's investment properties, prepaid lease payments and property under development as at 31 March 2009 were revalued by an independent firm of professional valuers on an open market value basis.

Details of movements in investment properties, prepaid lease payments and properties under development of the Group during the year are set out in notes 19, 18 and 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for distribution to shareholders amounting to approximately HK$624 million (2008: HK$644 million) and calculated in accordance with the Companies Law (2002 Revision) (Cap. 22) of the Cayman Islands and the articles of association of the Company.

DIRECTORS

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

Executive directors:

Chan Chun Hong, Thomas	
Cheung Wai Kai	
Wong Yiu Hung, Gary	
Hung Man Sing	(resigned on 2 June 2008)
Ng Cheuk Fan, Keith	(resigned on 2 June 2008)

Independent Non-executive directors:

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

In accordance with article 87 of the articles of association of the Company, Mr. Cheung Wai Kai and Mr. Yuen Kam Ho, George shall retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

All of the independent non-executive Directors are appointed for specific terms and are subject to retirement by rotation in accordance with the Company's articles of association. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to the Rule 3.13 of the Listing Rules. The Company considers all the existing independent non-executive Directors to be independent as at the date of this report.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 8 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 March 2009, none of the Directors, chief executives of the Company, nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 35 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 35 to the financial statements.

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

As at 31 March 2009, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders (other than Directors) had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company.

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

Name of shareholder	Number of shares or underlying shares	Approximate percentage of the Company's total issued share capital (%)
Gain Better Investments Limited *(Note)*	3,888,333,333	50.55
Wai Yuen Tong Medicine Holdings Limited *(Note)*	3,888,333,333	50.55

Note: Gain Better Investments Limited is an indirect wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited. 1,583,333,333 underlying shares of the Company are issuable upon exercise of the conversion right attaching to the convertible bonds with an aggregate principal amount of HK$190,000,000 held by Gain Better Investments Limited.

Save as disclosed above, as at 31 March 2009, there were no person (other than the Directors or chief executive of the Company) who had any interest or short position 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.

CONNECTED TRANSACTION

During the year under review, the Company and a wholly-owned subsidiary had the following transactions which constituted connected transaction under Chapter 14A of the Listing Rules, with the subsidiary of Wang On Group Limited.

On 30 July 2008, Kinwood Investment Limited, a wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement with Top Globe Limited, is currently owned as to 99% by Ms. Yau Yuk Yin who was a past director of Kinwood Investment Limited and Top Globe Limited.

Further details of these transactions are set out in note 41 to the financial statements.

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

EMOLUMENT POLICY

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 35 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 50% of the total sales for the year. In addition, the Group made 66% of its total purchases from its largest supplier.

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

DONATIONS

During the year, the Group made charitable and other donations totalling HK$0.2 million (2008: HK$0.2 million).

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on corporate governance principles and practices adopted by the Company is set out in the Corporate Governance Report on pages 11 to 17 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the year ended 31 March 2009 and up to the date of this annual report.

POST BALANCE SHEET EVENTS

Details of significant events of the Group occurring after the balance sheet date are set out in note 44 to the financial statements.

AUDITORS

The consolidated financial statements for the year ended 31 March 2009 have been audited by Messrs. HLB Hodgson Impey Cheng, who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Chan Chun Hong, Thomas
Chairman

Hong Kong, 22 July 2009

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF LEROI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of LeRoi Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 127, which comprise the consolidated and company balance sheets as at 31 March 2009, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 22 July 2009

Consolidated Income Statement

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operations			
Turnover	6	**61,822**	44,734
Cost of sales		**(38,740)**	(29,709)
Gross profit		**23,082**	15,025
Other revenue	6	**4,587**	12,128
Other income	7	**896**	190
Selling and distribution expenses		**(16,976)**	(12,775)
Administrative expenses		**(33,774)**	(22,766)
Impairment of prepaid lease payments		**(95,517)**	(29,617)
Impairment of goodwill	20	**(1,893)**	(3,558)
Impairment of property, plant and equipment		**—**	(40)
Impairment loss on other receivables		**—**	(777)
Impairment of interest in an associate	21	**(44,183)**	—
Loss on deemed disposal of interest in an associate	21	**(9,127)**	—
Fair value changes on financial assets at fair value through profit or loss		**(19,821)**	(2,534)
Fair value changes on derivative financial instruments		**477**	(4,034)
Loss on early redemption of a shareholder's loan		**—**	(1,041)
Finance costs	8	**(10,493)**	(7,066)
Share of profit of an associate	21	**16,559**	—
Loss before taxation		**(186,183)**	(56,865)
Taxation	12	**230**	30
Loss for the year from continuing operations		**(185,953)**	(56,835)
Discontinued operations			
Loss for the year from discontinued operations	9	**(20,088)**	(2,318)
Loss for the year attributable to equity holders the Company	7	**(206,041)**	(59,153)

Consolidated Income Statement *(continued)*

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Loss per share from continuing and discontinued operations			
– Basic and diluted	15	**(HK2.68 cents)**	(HK1.41 cents)
Loss per share from continuing operations			
– Basic and diluted	15	**(HK2.42 cents)**	(HK1.36 cents)

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

Consolidated Balance Sheet

at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**2,125**	1,801
Property under development	17	**20,295**	2,528
Prepaid lease payments	18	**451,228**	362,236
Investment properties	19	**—**	70,250
Goodwill	20	**—**	1,500
Interest in an associate	21	**126,239**	—
Financial assets at fair value through profit or loss	26	**4,110**	1,931
		603,997	440,246
Current assets			
Inventories	24	**69**	81
Trade receivables	25	**15**	35
Prepayments, deposits and other receivables		**9,506**	11,623
Derivative financial instruments	30	**2,568**	3,434
Financial assets at fair value through profit or loss	26	**16,651**	23,465
Time deposits		**14,845**	364,276
Cash and bank balances	27	**63,904**	25,878
		107,558	428,792
Less: Current liabilities			
Trade payables	28	**316**	231
Accruals and other payables		**7,563**	7,374
Amounts due to related companies	29	**1,110**	1,218
Derivative financial instruments	30	**—**	1,343
Tax payable		**198**	10
		9,187	10,176
Net current assets		**98,371**	418,616
Total assets less current liabilities		**702,368**	858,862

Consolidated Balance Sheet *(continued)*

at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Less: Non-current liabilities			
Interest-bearing loan from a related company	31	**40,000**	—
Convertible notes	32	**172,674**	168,355
Deferred taxation	33	**2,859**	3,901
		215,533	172,256
Net assets		**486,835**	686,606
Capital and reserves			
Share capital	34	**76,915**	76,915
Reserves	36(a)	**409,920**	609,691
Equity attributable to equity holders of the Company		**486,835**	686,606

Approved by the Board of Directors on 22 July 2009 and signed on its behalf by:

Chan Chun Hong, Thomas
Director

Cheung Wai Kai
Director

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

Balance Sheet

at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	23	**–**	—
Financial assets at fair value through profit or loss	26	**4,110**	1,931
		4,110	1,931
Current assets			
Prepayments, deposits and other receivables		**522**	677
Derivative financial instruments	30	**2,568**	3,434
Amounts due from subsidiaries	23	**912,030**	575,626
Time deposits		**1,327**	357,114
Cash and bank balances		**48,807**	14,622
		965,254	951,473
Less: Current liabilities			
Accruals and other payables		**3,359**	3,800
Amount due to a subsidiary	23	**23,302**	30,050
Amounts due to related companies	29	**–**	960
		26,661	34,810
Net current assets		**938,593**	916,663
Total assets less current liabilities		**942,703**	918,594

Balance Sheet *(continued)*

at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Less: Non-current liabilities			
Interest-bearing loan from a related company	31	**40,000**	—
Convertible notes	32	**172,674**	168,355
Deferred taxation	33	**2,859**	3,571
		215,533	171,926
Net assets		**727,170**	746,668
Capital and reserves			
Share capital	34	**76,915**	76,915
Reserves	36(b)	**650,255**	669,753
Total equity		**727,170**	746,668

Approved by the Board of Directors on 22 July 2009 and signed on its behalf by:

Chan Chun Hong, Thomas
Director

Cheung Wai Kai
Director

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

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Total equity HK$'000
At 1 April 2007	8,096	9,827	172	152	(18,046)	1,966	—	2,167
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	12,576	—	—	—	—	12,576
Release upon disposal of subsidiaries (Note 39)	—	—	(1,395)	—	—	—	—	(1,395)
Net gain recognised directly in equity	—	—	11,181	—	—	—	—	11,181
Net loss for the year	—	—	—	—	(59,153)	—	—	(59,153)
Total recognised income and expense for the year	—	—	11,181	—	(59,153)	—	—	(47,972)
Issue of shares	68,319	641,585	—	—	—	—	—	709,904
Share issue expenses	—	(13,789)	—	—	—	—	—	(13,789)
Conversion of convertible notes into shares	500	9,523	—	(507)	—	—	—	9,516
Equity component of convertible notes (Note 32)	—	—	—	30,482	—	—	—	30,482
Deferred tax arising on issue of convertible notes	—	—	—	(3,905)	—	—	—	(3,905)
Cash received in excess of fair value of interest-bearing loans from shareholders	—	—	—	—	—	203	—	203
Release upon set off of interest-bearing loan from shareholder	—	—	—	—	951	(951)	—	—
Release upon repayment of interest-bearing loans from shareholders	—	—	—	—	1,218	(1,218)	—	—
At 31 March 2008 and 1 April 2008	76,915	647,146	11,353	26,222	(75,030)	—	—	686,606

Consolidated Statement of Changes in Equity *(continued)*

for the year ended 31 March 2009

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Total equity HK$'000
At 31 March 2008 and 1 April 2008	76,915	647,146	11,353	26,222	(75,030)	–	–	686,606
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	6,270	–	–	–	–	6,270
Gain on fair value changes on prepaid lease payment upon acquisition of subsidiaries	–	–	–	–	–	–	4,651	4,651
Release upon impairment of prepaid lease payment	–	–	–	–	–	–	(4,651)	(4,651)
Net gain recognised directly in equity	–	–	6,270	–	–	–	–	6,270
Net loss for the year	–	–	–	–	(206,041)	–	–	(206,041)
Total recognised income and expense for the year	–	–	6,270	–	(206,041)	–	–	(199,771)
At 31 March 2009	**76,915**	**647,146**	**17,623**	**26,222**	**(281,071)**	**–**	**–**	**486,835**

Consolidated Statement of Changes in Equity *(continued)*

for the year ended 31 March 2009

	Attributable to equity holders of the Company						
	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Total equity HK$'000
Reserves retained by:							
Company and subsidiaries	647,146	17,623	26,222	(295,813)	—	—	395,178
Associate	—	—	—	14,742	—	—	14,742
At 31 March 2009	**647,146**	**17,623**	**26,222**	**(281,071)**	**–**	**–**	**409,920**
Company and subsidiaries	647,146	11,353	26,222	(73,213)	—	—	611,508
Associate	—	—	—	(1,817)	—	—	(1,817)
At 31 March 2008	647,146	11,353	26,222	(75,030)	—	—	609,691

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

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(206,601)**	(58,853)
Adjustments for:			
Depreciation		**726**	760
Loss/(gain) on disposal of subsidiaries	39	**2,064**	(19,950)
(Gain)/loss on disposal of property, plant and equipment		**(83)**	563
Share of profit of an associate		**(16,559)**	(68)
Interest income	6	**(3,689)**	(11,739)
Fair value changes on investment properties	19	**23,044**	(1,886)
Loss on deemed disposal of interest in an associate		**9,127**	—
Finance costs	8	**11,322**	7,109
Fair value changes on derivative financial instruments		**(477)**	4,034
Fair value changes on financial assets at fair value through profit or loss		**19,821**	2,534
Loss on early redemption of a shareholder's loan		**–**	1,041
Reversal of impairment loss on trade receivables		**–**	(116)
Reversal of impairment loss on other receivables		**(813)**	—
Impairment loss on trade receivables		**–**	1,130
Impairment loss on other receivables		**–**	847
Impairment of prepaid lease payments		**95,517**	29,617
Impairment of interest in an associate		**44,183**	—
Provision for obsolete inventories		**–**	14,213
Impairment of property, plant and equipment		**–**	40
Impairment of goodwill		**1,893**	3,558
Operating loss before working capital changes		**(20,525)**	(27,166)

Consolidated Cash Flow Statement *(continued)*

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Operating loss before working capital changes		**(20,525)**	(27,166)
Decrease/(increase) in inventories		**12**	(5,539)
Decrease in trade receivables		**20**	1,107
Decrease/(increase) in prepayments, deposits and other receivables		**1,681**	(4,156)
Increase in trade payables		**85**	3,298
Increase in accruals and other payables		**189**	5,305
(Decrease)/increase in amounts due to related companies		**(108)**	1,218
Cash used in operations		**(18,646)**	(25,933)
Interest paid		**(6,174)**	(5,953)
Hong Kong profits tax paid		**(294)**	(495)
Net cash used in operating activities		**(25,114)**	(32,381)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,689**	11,739
Purchase of property, plant and equipment		**(1,134)**	(2,607)
Property under development paid		**(9,292)**	(609)
Purchase of prepaid lease payments		**(1,480)**	(323,322)
Purchase of investment properties		**(51,560)**	(56,644)
Acquisition of subsidiaries	37	**(186,746)**	(239,821)
Acquisition of an associate		**(162,990)**	—
Acquisition of a shareholder's loan		**–**	177,248
Acquisition of jointly controlled entities		**–**	(12,341)
Disposal of subsidiaries	39	**61,832**	(7,723)
Purchase of financial assets at fair value through profit or loss		**(49,322)**	(38,985)
Proceeds from disposal of property, plant and equipment		**331**	15
Proceeds from disposal of financial assets at fair value through profit or loss		**34,136**	11,055
Repayment of loan to an associate		**–**	(8)
Net cash used in investing activities		**(362,536)**	(482,003)

Consolidated Cash Flow Statement *(continued)*

for the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital element of finance lease rental payments	–	(494)
Proceeds from issue of convertible notes	–	197,000
Interest-bearing loan from a related company	40,000	—
Interest-bearing loans from banks	36,450	—
Interest-bearing loan from a shareholder	10,000	4,000
Repayment of interest-bearing loan from a shareholder	(10,000)	(24,000)
Repayment of interest-bearing loans from banks	(3,059)	—
Proceeds from issue of shares	–	709,904
Share issue expenses	–	(13,789)
Net cash generated from financing activities	73,391	872,621
Net (decrease)/increase in cash and cash equivalents	(314,259)	358,237
Cash and cash equivalents at the beginning of the year	390,154	21,499
Effects of exchange rate changes on the balance of cash held in foreign currencies	2,854	10,418
Cash and cash equivalents at the end of the year	78,749	390,154
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	63,904	25,878
Time deposits	14,845	364,276
	78,749	390,154

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

1. COPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the sale of fresh pork meat and related produce, and the property investment and development. During the year, the property investment business segment was disposed of.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Application of new and revised HKFRSs

In the current year, the Group has applied for the first time, the following new amendments and interpretations ("**new HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[8]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Asscoiate[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Canellations[2]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[6]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

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

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

[1] Effective for annual periods beginning on or after 1 January 2009 (except for the amendments to HKFRS 5 – effective for annual periods beginning on or after 1 July 2009)

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 October 2008

[6] Effective for annual periods beginning on or after 30 June 2009

[7] Effective for transfers of assets from customers received on or after 1 July 2009

[8] Effective for annual periods beginning on or after 1 January 2009 (except for the amendments to HKAS 38, HKFRS 2, HK(IFRIC) – Int 19 and HK(IFRIC) – Int 16, which are effective for annual periods beginning on or after 1 July 2009

The application 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 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention except for financial assets at fair value through profit or loss (including derivative financial instruments) and investment properties which have been carried at fair value as explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2009. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

Basis of consolidation *(continued)*

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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

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

Subsidiaries

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

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

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

Associates

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

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

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

Jointly-controlled entities

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

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

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or jointly-controlled entity at the date of the acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on acquisition of a business or a jointly-controlled entity is presented separately in the consolidated balance sheet.

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

On subsequent disposal of the relevant cash-generating unit or a jointly-controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Impairment of non-financial assets (other than goodwill)

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

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

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

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

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

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 asset) is included in income statement in the year in which the item is derecognised.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its location and working condition for its intended use. Expenses incurred after item of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the income statement in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that assets or as a replacement.

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

Furniture, fixtures and equipment	20-33⅓%
Leasehold improvements	Over the lease terms
Motor vehicles	20-33⅓%
Machineries	20-33⅓%

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

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

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

Properties under development

When the leasehold land and buildings are in the course of development for production, rental, for administrative purposes or for sale, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of properties under development. Properties under development are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

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

Interest in leasehold land

Interest in leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interest in leasehold land are amortised on a straight-line basis over the shorter of relevant interest in leasehold land or the operation period of the relevant company.

Investments and other financial assets

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition:

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise. The net gain or loss recognised in the income statement includes any dividend or interest earned on the financial assets.

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 are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Investments and other financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the income statement.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Fair value

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

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effectively in offsetting changes in fair values or cash flows of the hedged items.

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

Derivative financial instruments and hedging activities *(continued)*

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The adjustment to the carrying amount of the hedged item for which the effective interest is used is amortised to the income statement as soon as an adjustment exists. The adjustment is based on a recalculated effective interest rate at the date the amortisation begins.

Hedge accounting is discontinued when the Group revokes the hedge relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of asset or liability.

Hedge accounting is discontinued when the Group revokes the hedge relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

(iii) Derivatives that do not qualify for hedge accounting and those not designated as hedges

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the income statement.

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

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

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

Impairment of financial assets *(continued)*

Assets carried at cost

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

Available-for-sale financial assets

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

Derecognition of financial assets

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

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

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

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

Derecognition of financial assets *(continued)*

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

Financial liabilities and equity

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two categories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Financial liabilities at fair value through profit or loss *(continued)*

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise. The net gain or loss recognised in the income statement includes any interest paid on the financial liability.

Financial liabilities at amortised cost

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

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

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

Convertible notes

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

Convertible notes that contain an equity component

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

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

Convertible notes that do not contain an equity component

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

Derecognition of financial liabilities

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

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions and contingent liabilities

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

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

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

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

Income tax

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

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

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

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income tax *(continued)*

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

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

Revenue recognition

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

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- Interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.
- Rental income, on a time proportion basis over the lease terms.

Employee benefits

Paid leave carried forward

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

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

Employee benefits *(continued)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Share options scheme

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

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

Borrowing costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties transactions

A party is considered to be related to the Group if:

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Current assets and current liabilities

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

Foreign currencies

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

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

Foreign currencies *(continued)*

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

Segment reporting

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

Income tax

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

Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

Impairment of trade receivables

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

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

Critical accounting estimates and assumptions *(continued)*

Fair value of derivatives and other financial instruments

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

For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The carrying amounts of these derivatives financial assets and liabilities are approximately HK$2,568,000 (2008: HK$3,434,000) and Nil (2008: HK$1,343,000) respectively.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash generating units have been determined based on value in use calculations. Theses calculations require the use of estimates (Note 20).

The carrying amount of goodwill at the balance sheet date was Nil (2008: HK$1,500,000) after an impairment of approximately HK$1,893,000 (2008: HK$3,558,000) was recognised during the year.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets:		
Fair value through profit or loss		
– Held for trading	**16,651**	23,465
– Designated as at fair value through profit or loss	**4,110**	1,931
Derivative financial instruments	**2,568**	3,434
Loans and receivables (including cash and cash equivalent)	**80,824**	390,898
Financial liabilities:		
Amortised cost	**221,663**	177,178
Derivative financial instruments	**—**	1,343

(b) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, foreign exchange risk and other price risk), credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices.

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Interest rate risk management

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The Group considers that there is no significant cash flow interest rate risk as the Group does not have variable-rate borrowings.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Foreign exchange risk management

Several subsidiaries of the Group have foreign currency transactions, which expose the Group to foreign currency risk. The Group's transactions are denominated primarily in Hong Kong dollars and Renminbi ("RMB"), which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2009	2008
	HK$'000	HK$'000
Assets:		
RMB	**1,842**	3,163
AUD	**–**	3,303
NZD	**3**	2,581

	2009	2008
	HK$'000	HK$'000
Liabilities:		
RMB	**84**	50

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Foreign exchange risk management *(continued)*

Sensitivity analysis on foreign exchange risk management

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	2009	2008
	HK$'000	HK$'000
Impact of RMB		
Profit or loss#	**(88)**	(156)
Impact of AUD		
Profit or loss*	**–**	(165)
Impact of NZD		
Profit or loss*	**–**	(129)

This is mainly attributable to the bank balances and payables denominated in RMB.

* This is mainly attributable to the bank balances denominated in AUD and NZD.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Foreign exchange risk management *(continued)*

Sensitivity analysis on foreign currency risk management (continued)

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the decrease in foreign currency denominated monetary assets and liabilities.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in the provision of diagnostic testing and healthcare services, and installation service of LED screen and façade lighting quoted in The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Sensitivity analysis on other price risk

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower, net profit for the year ended 31 March 2009 would increase/decrease by approximately HK$688,000 (2008: HK$1,173,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity prices decreased due to the decrease in financial assets at fair value through profit or loss during the current year.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 March 2009, 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.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs period credit evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

The Group's liquidity risk management includes diversifying the funding sources. Internally generated cash flow and interest-bearing loan from a related company during the year are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's remaining contractual maturity for its financial liabilities as well as derivative and certain non-derivative financial assets which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

At 31 March 2009

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	–	(7,879)	–	–	(7,879)	(7,879)
Amounts due to related companies	–	(1,110)	–	–	(1,110)	(1,110)
Interest-bearing loan from a related company	6.00	–	(40,000)	–	(40,000)	(40,000)
Convertible notes	5.92	–	(190,000)	–	(190,000)	(172,674)
		(8,989)	(230,000)	–	(238,989)	(221,663)

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

At 31 March 2008

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
Trade and other payables	—	(7,605)	—	—	(7,605)	(7,605)
Amounts due to related companies	—	(1,218)	—	—	(1,218)	(1,218)
Convertible notes	5.92	—	(190,000)	—	(190,000)	(168,355)
		(8,823)	(190,000)	—	(198,823)	(177,178)

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, Black-Scholes model and Binomial model).

Except as detailed in the following table, the directors consider that the carrying amounts of financial liabilities recorded in the consolidated financial statements approximate their fair values:

	2009		2008	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**172,674**	**130,376**	168,355	178,629

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(c) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (which includes interest-bearing loan from a related company and convertible notes), and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on total debt and shareholders' equity. The increase in gearing ratio was due to the borrowing of loan from a related company during the year.

The gearing ratio at the year end was as follows:

	2009	2008
	HK$'000	HK$'000
Total debt #	**212,674**	168,355
Shareholders' equity	**486,835**	686,606
Gearing ratio	**43.7%**	24.5%

Total debt comprises interest-bearing loan from a related company and convertible notes as detailed in Notes 31 and 32.

5. SEGMENT INFORMATION

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

Segment information is presented way of the Group's primary segment reporting basis, by business segment. For the years ended 31 March 2009 and 2008, the Group was primarily engaged in several business segments: (i) sales of fresh pork meat and related produce; (ii) property investment; (iii) property development; and (iv) trading of fashion apparels.

The property investment business segment was disposed of during the year ended 31 March 2009, while the trading of fashion apparels business segment was disposed of during the year ended 31 March 2008.

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

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

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

Segment liabilities comprise operating liabilities.

Unallocated assets and liabilities comprise items such as corporate borrowings.

Business segments

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

During the year ended 31 March 2009, the Group disposed of its property investment business.

During the year ended 31 March 2008, the Group disposed of its trading of fashion apparels business.

5. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2009

	Continuing operations			Discontinued operations	
	Sales of fresh pork meat and related produce HK$'000	Property development HK$'000	Total HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue:					
External revenue	61,822	–	61,822	7,613	69,435
Segment results excluding impairment of goodwill	2,810	(97,364)	(94,554)	(19,589)	(114,143)
Impairment of goodwill	(1,500)	(393)	(1,893)	–	(1,893)
Segment results	1,310	(97,757)	(96,447)	(19,589)	(116,036)
Interest income and unallocated gains			6,258	–	6,258
Corporate and other unallocated expenses			(48,750)	–	(48,750)
Finance costs			(10,493)	(829)	(11,322)
Impairment of interest in an associate			(44,183)	–	(44,183)
Loss on deemed disposal of interest in an associate			(9,127)	–	(9,127)
Share of profit of an associate			16,559	–	16,559
Loss before taxation			(186,183)	(20,418)	(206,601)
Taxation			230	330	560
Loss for the year			(185,953)	(20,088)	(206,041)

5. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2009 *(continued)*

	Continuing operations		Discontinued operations	
	Sales of fresh pork meat and related produce HK$'000	Property development HK$'000	Property investment HK$'000	Consolidated HK$'000
Assets and liabilities				
Segment assets	6,180	500,025	–	506,205
Unallocated				205,350
Consolidated total assets				711,555
Segment liabilities	2,157	1,158	–	3,315
Unallocated				221,405
Consolidated total liabilities				224,720

	Continuing operations			Discontinued operations		
	Sales of fresh pork meat and related produce HK$'000	Property development HK$'000	Total HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information						
Depreciation	337	317	654	59	13	726
Capital expenditure	794	11,112	11,906	51,560	–	63,466
Impairment loss recognised in the consolidated income statement						
– goodwill	1,500	393	1,893	–	–	1,893
– prepaid lease payments	–	95,517	95,517	–	–	95,517
– interest in an associate	–	–	–	–	44,183	44,183

5. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2008

	Continuing operations			Discontinued operations			
	Sales of fresh pork meat and related produce HK$'000	Property development HK$'000	Total HK$'000	Trading of fashion apparel HK$'000	Property investment HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:							
External revenue	44,734	—	44,734	37,761	1,692	39,453	84,187
Segment results excluding impairment of goodwill	1,629	(31,888)	(30,259)	(23,778)	1,847	(21,931)	(52,190)
Impairment of goodwill	(3,552)	(6)	(3,558)	—	—	—	(3,558)
Segment results	(1,923)	(31,894)	(33,817)	(23,778)	1,847	(21,931)	(55,748)
Interest income and unallocated gains			12,047			20,046	32,093
Corporate and other unallocated expenses			(28,029)			(128)	(28,157)
Finance costs			(7,066)			(43)	(7,109)
Share of profit of an associate			—			68	68
Loss before taxation			(56,865)			(1,988)	(58,853)
Taxation			30			(330)	(300)
Loss for the year			(56,835)			(2,318)	(59,153)

5. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2008 *(continued)*

	Continuing operations		Discontinued operations		
	Sales of fresh pork meat and related produce HK$'000	Property development HK$'000	Trading of fashion apparels HK$'000	Property investment HK$'000	Consolidated HK$'000
Assets and liabilities					
Segment assets	6,786	374,505	—	73,858	455,149
Unallocated					413,889
Consolidated total assets					869,038
Segment liabilities	1,104	312	—	1,323	2,739
Unallocated					179,693
Consolidated total liabilities					182,432

5. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2008 *(continued)*

	Continuing operations			Discontinued operations				
	Sales of fresh pork meat and related produce	Property development	Total	Trading of fashion apparels	Property investment	Total	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information								
Depreciation	201	11	212	418	15	433	115	760
Capital expenditure	487	400,184	400,671	1,183	56,943	58,126	880	459,677
Loss on disposal of property, plant and equipment	563	—	563	—	—	—	—	563
Impairment loss recognised in the consolidated income statement								
– property, plant and equipment	40	—	40	—	—	—	—	40
– goodwill	3,552	6	3,558	—	—	—	—	3,558
– prepaid lease payments	—	29,617	29,617	—	—	—	—	29,617
– trade receivables	—	—	—	1,130	—	1,130	—	1,130
– other receivables	—	777	777	70	—	70	—	847
Provision for obsolete inventories	—	—	—	14,213	—	14,213	—	14,213

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. During the years ended 31 March 2009 and 2008, all of the Group's revenue and assets were derived from customers and operations based in The People's Republic of China ("PRC") including mainland China and Hong Kong and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

6. TURNOVER AND OTHER REVENUE

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

An analysis of the Group's turnover and other revenue for the year, for both continuing and discontinued operations, is as follows:

Turnover:

	2009	2008
	HK$'000	HK$'000
Continuing operations		
Sale of fresh pork meat and related produce	**61,822**	44,734
Discontinued operations		
Rental income	**7,613**	1,692
Sale of fashion apparels	**–**	37,761
	7,613	39,453
	69,435	84,187

6. TURNOVER AND OTHER REVENUE *(continued)*

Other revenue:

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Interest income on:						
Bank deposits	**3,275**	11,663	**1**	76	**3,276**	11,739
Financial assets at fair value through profit or loss	**413**	—	**–**	—	**413**	—
	3,688	11,663	**1**	76	**3,689**	11,739
Dividends from equity securities	**370**	48	**–**	—	**370**	48
Sundry income	**529**	417	**575**	402	**1,104**	819
	4,587	12,128	**576**	478	**5,163**	12,606

7. LOSS FOR THE YEAR

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Operating loss is stated after charging:						
Cost of inventories sold	**35,870**	27,280	**–**	29,061	**35,870**	56,341
Depreciation of owned property, plant and equipment	**667**	327	**59**	76	**726**	403
Depreciation of property, plant and equipment held under finance lease	**–**	—	**–**	357	**–**	357
Impairment loss on trade receivables	**–**	—	**–**	1,130	**–**	1,130
Provision for obsolete inventories	**–**	—	**–**	14,213	**–**	14,213
Impairment loss on other receivables	**–**	777	**–**	70	**–**	847
Auditors' remuneration	**900**	650	**–**	—	**900**	650
Exchange losses	**1,150**	—	**–**	—	**1,150**	—
Minimum lease payments under operating lease for land and buildings	**910**	4,176	**–**	746	**910**	4,922
Loss on disposal of property, plant and equipment	**–**	563	**–**	—	**–**	563
Impairment of property, plant and equipment	**–**	40	**–**	—	**–**	40
Impairment of interest in an associate	**44,183**	—	**–**	—	**44,183**	—
Impairment of goodwill	**1,893**	3,558	**–**	—	**1,893**	3,558
Impairment of prepaid lease payments	**95,517**	29,617	**–**	—	**95,517**	29,617

7. LOSS FOR THE YEAR *(continued)*

	Continuing operations		Discontinued operations		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Salaries and other short-term employee benefits (excluding directors' remuneration - note 10)	**22,097**	12,296	**1,148**	4,225	**23,245**	16,521
Retirement benefits scheme contributions	**638**	427	**41**	76	**679**	503
	22,735	12,723	**1,189**	4,301	**23,924**	17,024
and after crediting:						
Other income:						
Exchange gain	**–**	190	**–**	—	**–**	190
Gain on disposal of property, plant and equipment	**83**	—	**–**	—	**83**	—
Reversal of impairment loss on trade receivables	**–**	—	**–**	116	**–**	116
Reversal of impairment loss on other receivables (note)	**813**	—	**–**	—	**813**	—
	896	190	**–**	116	**896**	306

Note:
The reversal of impairment loss on other receivable was recognised due to the recovery of amount during the year.

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Interest element of finance lease rental payments	**–**	—	**–**	43	**–**	43
Effective interest on convertible notes wholly repayable within five years	**10,019**	4,888	**–**	—	**10,019**	4,888
Interest on interest-bearing loans from shareholders wholly repayable within five years	**66**	2,178	**–**	—	**66**	2,178
Interest on interest-bearing bank loans not wholly repayable within five years	**–**	—	**829**	—	**829**	—
Interest on interest-bearing loan from a related company wholly repayable within five years	**408**	—	**–**	—	**408**	—
	10,493	7,066	**829**	43	**11,322**	7,109

9. DISCONTINUED OPERATIONS

Disposal of property investment business

On 13 February 2009, the Group entered into a sale and purchases agreement to dispose of the Group's property investment business. The disposal of the property investment business is consistent with the Group's long-term policy to focus its activities on the sales of fresh pork meat and related produce and property development businesses. The disposal was completed on 25 March 2009, after which the control of the property investment business passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in Note 39.

Disposal of trading of fashion apparels business

On 25 January 2008, the Group entered into a sale agreement to dispose of the Group's trading of fashion apparels business. The disposal of the trading of fashion apparels business is consistent with the Group's long-term policy to focus its activities on the sales of fresh pork meat and related produce and property development businesses. The disposal was completed on 27 March 2008, after which the control of the trading of fashion apparels business passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in Note 39.

Loss for the year from discontinued operations

	2009	2008		
	Property investment HK$'000	Property investment HK$'000	Trading of fashion apparels HK$'000	Total HK$'000
Turnover	**7,613**	1,692	37,761	39,453
Expenses	**(2,923)**	(1,763)	(61,582)	(63,345)
Fair value changes on investment properties	**(23,044)**	1,886	—	1,886
Share of profit of an associate	**—**	—	68	68
(Loss)/profit before taxation	**(18,354)**	1,815	(23,753)	(21,938)
Taxation	**330**	(330)	—	(330)
	(18,024)	1,485	(23,753)	(22,268)
(Loss)/gain on disposal of operations (Note 39)	**(2,064)**	—	19,950	19,950
	(20,088)	1,485	(3,803)	(2,318)

9. DISCONTINUED OPERATIONS *(continued)*

	2009	2008		
	Property investment HK$'000	Property investment HK$'000	Trading of fashion apparels HK$'000	Total HK$'000
Cash flows from discontinued operations				
Net cash flows from operating activities	**18,396**	58,207	2,061	60,268
Net cash flows from investing activities	**(51,560)**	(56,942)	(7)	(56,949)
Net cash flows from financing activities	**33,391**	—	(494)	(494)
Net cash flows	**227**	1,265	1,560	2,825

10. DIRECTORS' REMUNERATION

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

The remuneration of every director for the year ended 31 March 2009 is set out below:

Name of director	Salaries and other benefits HK$'000	Director's fee HK$'000	Provident fund contributions HK$'000	Total HK$'000
2009:				
Executive directors				
Mr. Chan Chun Hong, Thomas	**1,363**	**—**	**12**	**1,375**
Mr. Cheung Wai Kai	**128**	**—**	**6**	**134**
Mr. Wong Yiu Hung, Gary (note 3)	**2,127**	**—**	**12**	**2,139**
Mr. Ng Cheuk Fan, Keith (note 1)	**—**	**—**	**—**	**—**
Mr. Hung Man Sing (note 2)	**—**	**—**	**—**	**—**
Independent non-executive directors				
Mr. Sin Ka Man	**—**	**130**	**—**	**130**
Mr. Yuen Kam Ho, George	**—**	**130**	**—**	**130**
Mr. Cheung Sau Wah, Joseph	**—**	**130**	**—**	**130**
	3,618	**390**	**30**	**4,038**

10. DIRECTORS' REMUNERATION *(continued)*

The remuneration of every director for the year ended 31 March 2008 is set out below:

Name of director	Salaries and other benefits HK$'000	Director's fee HK$'000	Provident fund contributions HK$'000	Total HK$'000
2008:				
Executive directors				
Mr. Ng Cheuk Fan, Keith (note 1)	750	—	12	762
Mr. Hung Man Sing (note 2)	643	—	12	655
Mr. Chan Chun Hong, Thomas	927	—	12	939
Mr. Cheung Wai Kai	130	—	6	136
Mr. Wong Yiu Hung, Gary (note 3)	190	—	2	192
Independent non-executive directors				
Mr. Sin Ka Man	—	120	—	120
Mr. Yuen Kam Ho, George	—	120	—	120
Mr. Cheung Sau Wah, Joseph	—	120	—	120
	2,640	360	44	3,044

Notes:

1. Mr. Ng Cheuk Fan, Keith resigned on 2 June 2008.

2. Mr. Hung Man Sing resigned on 2 June 2008.

3. Mr. Wong Yiu Hung, Gary was appointed on 13 February 2008.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2009	2008
Nil to HK$1,000,000	**6**	8
HK$1,000,001 to HK$1,500,000	**1**	—
HK$2,000,001 to HK$2,500,000	**1**	—
	8	8

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2008: Nil). None of the directors has waived any emoluments during the year (2008: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The aggregate emoluments of the five highest paid individuals included three (2008: three) executive directors of the Company, whose emoluments are included in Note 10 above. The aggregate emoluments of the remaining two (2008: two) highest paid individuals are as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Basic salaries and allowances	**3,649**	2,039
Retirement benefits scheme contributions	**18**	5
	3,667	2,044

The emoluments fell within the following bands:

	2009	2008
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	—
	2	2

During the year, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2008: Nil).

12. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for mainland China income taxes has been made during the year as the subsidiaries operated in mainland China had no assessable profits for the year.

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
The Group:						
Current taxation:						
– Hong Kong	**474**	304	**–**	—	**474**	304
– Under provision in prior year	**8**	—	**–**	—	**8**	—
	482	304	**–**	—	**482**	304
Deferred tax (Note 33):						
– Convertible notes	**(712)**	(334)	**–**	—	**(712)**	(334)
– Revaluation of properties	**–**	—	**(330)**	330	**(330)**	330
	(712)	(334)	**(330)**	330	**(1,042)**	(4)
Total tax (credit)/charge for the year	**(230)**	(30)	**(330)**	330	**(560)**	300

12. TAXATION *(continued)*

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

The Group – 2009

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before taxation:						
Continuing operations	(89,541)		(96,642)		(186,183)	
Discontinued operations	(20,418)		–		(20,418)	
	(109,959)		(96,642)		(206,601)	
Tax at the applicable income tax rate	(18,143)	*(16.5%)	(24,161)	**(25.0%)	(42,304)	(20.5%)
Tax effect of income and expenses not taxable or deductible for tax purposes	11,236	10.2%	24,161	25.0%	35,397	17.1%
Tax effect of unrecognised temporary differences	3,231	3.0%	–	–	3,231	1.6%
Tax effect of tax losses utilised	(194)	(0.2%)	–	–	(194)	(0.1%)
Under provision in respect of prior year	8	–	–	–	8	–
Tax effect of tax losses not recognised	3,302	3.0%	–	–	3,302	1.6%
Tax credit at the effect tax rate for the year	(560)	(0.5%)	–	–	(560)	(0.3%)

12. TAXATION *(continued)*

The Group – 2008

	Hong Kong		Macau		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Loss before taxation:								
Continuing operations	(55,947)		—		(918)		(56,865)	
Discontinued operations	16,557		(76)		(18,469)		(1,988)	
	(39,390)		(76)		(19,387)		(58,853)	
Tax at the applicable income tax rate	(6,893)	*(17.5%)	(9)	***(12.0%)	(4,847)	**(25.0%)	(11,749)	(20.0%)
Tax effect of income and expenses not taxable or deductible for tax purposes	3,133	8.0%	9	12.0%	284	1.5%	3,426	5.8%
Tax effect of unrecognised temporary differences	(266)	(0.7%)	—	—	—	—	(266)	(0.4%)
Tax effect of change in income tax rate in mainland China during the year	—	—	—	—	(1,108)	(5.7%)	(1,108)	(1.9%)
Tax effect of tax losses not recognised	4,326	11.0%	—	—	5,671	29.2%	9,997	17.0%
Tax charge at the effect tax rate for the year	300	0.8%	—	—	—	—	300	0.5%

* On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009 Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

** The standard mainland China Corporate Income Tax rate for the period ended 31 December 2007 was 33%. The tax rate changed to 25% with effect from 1 January 2008.

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

13. (LOSS)/PROFIT FOR THE YEAR

The net loss for the year dealt with in the financial statements of the Company amounted to approximately HK$19,498,000 (2008: net profit of HK$12,145,000).

14. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 March 2009 (2008: Nil).

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

From continuing and discontinued operations

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

	2009	2008
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic loss per share (loss for the year attributable to the equity holders of the Company)	**(206,041)**	(59,153)

	2009	2008
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	**7,691,500**	4,188,794

Diluted loss per share from both continuing and discontinued operations for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share from both continuing and discontinued operations because the effect of the Company's outstanding convertible notes was anti-dilutive.

15. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR *(continued)*

From continuing operations

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

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to the equity holders of the Company	**(206,041)**	(59,153)
Less: Loss for the year from discontinued operations	**(20,088)**	(2,318)
Loss for the purpose of basic loss per share from continuing operations	**(185,953)**	(56,835)

The denominator used for basic loss per share from continuing operations is the same as those detailed above. Diluted loss per share from continuing operations for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share from continuing operations because the effect of the Company's outstanding convertible notes was anti-dilutive.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.26 cents per share (2008: HK0.06 cents per share) based on the loss for the year from the discontinued operations of approximately HK$20,088,000 (2008: HK$2,318,000).

The denominator used for basic loss per share from discontinued operations is the same as those detailed above. Diluted loss per share from discontinued operations for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share from discontinued operations because the effect of the Company's outstanding convertible notes was anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Machineries HK$'000	Total HK$'000
Cost:					
At 1 April 2007	8,778	4,068	850	14	13,710
Additions	718	1,159	1,827	83	3,787
Disposals	(222)	(414)	—	(16)	(652)
Disposals of subsidiaries (Note 39)	(8,658)	(124)	(2,030)	—	(10,812)
Exchange realignment	8	—	—	—	8
At 31 March 2008 and 1 April 2008	624	4,689	647	81	6,041
Additions	415	575	113	31	1,134
Acquisition of subsidiaries (Note 37)	99	67	151	—	317
Disposals	(29)	(62)	(246)	—	(337)
Disposals of subsidiaries (Note 39)	—	(299)	—	—	(299)
Exchange realignment	29	32	11	—	72
At 31 March 2009	**1,138**	**5,002**	**676**	**112**	**6,928**
Accumulated depreciation and impairment:					
At 1 April 2007	8,561	4,041	850	—	13,452
Charge for the year	194	145	393	28	760
Impairment loss recognised for the year	2	—	38	—	40
Written back on disposals	(35)	(37)	—	(2)	(74)
Disposals of subsidiaries (Note 39)	(8,609)	(124)	(1,207)	—	(9,940)
Exchange realignment	2	—	—	—	2
At 31 March 2008 and 1 April 2008	115	4,025	74	26	4,240
Charge for the year	269	314	114	29	726
Written back on disposals	(10)	(5)	(74)	—	(89)
Disposals of subsidiaries (Note 39)	—	(74)	—	—	(74)
At 31 March 2009	**374**	**4,260**	**114**	**55**	**4,803**
Net book value:					
At 31 March 2009	**764**	**742**	**562**	**57**	**2,125**
At 31 March 2008	509	664	573	55	1,801

During the year ended 31 March 2008, the Group carried out a review of the recoverable amount of its furniture, fixtures and equipment and leasehold improvements. The review led to the recognition of an impairment loss of approximately HK$40,000 that has been recognised in the consolidated income statement. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 17.01% per annum.

17. PROPERTY UNDER DEVELOPMENT

	The Group HK$'000
At 1 April 2007	—
Additions	2,528
At 31 March 2008 and 1 April 2008	2,528
Additions	15,491
Additions through acquisition of subsidiaries (Note 37)	987
Exchange realignment	1,289
At 31 March 2009	**20,295**
At 31 March 2008	2,528

Analysis of property under development:

	2009 HK$'000	2008 HK$'000
Long-term lease of leasehold land in mainland China	**20,295**	2,528

18. PREPAID LEASE PAYMENTS

	The Group HK$'000
Cost	
At 1 April 2007	—
Additions	398,637
Exchange realignment	418
At 31 March 2008 and 1 April 2008	399,055
Additions	1,480
Addition through acquisition of subsidiaries (Note 37)	185,000
Revaluation arising from further acquisition	4,651
Exchange realignment	6,848
At 31 March 2009	**597,034**
Accumulated amortisation and impairment	
At 1 April 2007	—
Charge for the year	1,919
Impairment of prepaid lease payments	29,617
At 31 March 2008 and 1 April 2008	31,536
Charge for the year	6,199
Impairment of prepaid lease payments	100,168
Exchange realignment	1,231
At 31 March 2009	**139,134**
Net book value	
At 31 March 2009	**457,900**
At 31 March 2008	367,519

18. PREPAID LEASE PAYMENTS *(continued)*

The prepaid lease payments comprise of leasehold land situated in mainland China held under long-term leases.

Amortisation expense on prepaid lease payments of approximately HK$6,199,000 (2008: HK$1,919,000) has been capitalised to properties under development for the year.

Impairment loss of approximately HK$100,168,000 (2008: HK$29,617,000) in respect of prepaid lease payments was recognised during the year ended 31 March 2009 by reference to the valuation report issued by Savills Valuation and Professional Services Limited, an independent qualified professional valuers at 31 March 2009 which valued the assets on market value basis.

Analysed for reporting purposes as:

	2009	2008
	HK$'000	HK$'000
Current assets (included in prepayments, deposits and other receivables)	**6,672**	5,283
Non-current assets	**451,228**	362,236
	457,900	367,519

19. INVESTMENT PROPERTIES

	The Group	
	2009	2008
	HK$'000	HK$'000
Fair value:		
At the beginning of the year	**70,250**	11,720
Additions	**51,560**	56,644
Disposals of subsidiaries during the year (Note 39)	**(98,766)**	—
Net (decrease)/increase in fair value	**(23,044)**	1,886
At the end of the year	**–**	70,250

Investment properties were revalued at their open market values during the year ended 31 March 2009 by Messrs Vigors Appraisal and Consulting Limited (2008: by Messrs Savills Valuation and Professional Services Limited), independent qualified professional valuers not connected with the Group, on an open market value, existing use basis. This valuation gave rise to a loss arising from change in fair value of approximately HK$23,044,000 at 31 March 2009 (2008: gain of approximately HK$1,886,000), which has been debited to the consolidated income statement.

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

The investment properties are leased to third parties under operating leases. Property rental income earned during the year ended 31 March 2009 was approximately HK$7,613,000 (2008: approximately HK$1,692,000). No contingent rental income was recognised during the years ended 31 March 2009 and 2008.

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

At 31 March 2009 and 2008, the Group had future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**–**	2,834
In the second to fifth years inclusive	**–**	—
	–	2,834

20. GOODWILL

	The Group HK$'000
Cost:	
At 1 April 2007	6,567
Addition due to acquisition of subsidiaries (Note 37)	6
At 31 March 2008 and 1 April 2008	6,573
Addition due to acquisition of subsidiaries (Note 37)	393
At 31 March 2009	**6,966**
Impairment:	
At 1 April 2007	(1,515)
Impairment loss recognised	(3,558)
At 31 March 2008 and 1 April 2008	(5,073)
Impairment loss recognised	(1,893)
At 31 March 2009	**(6,966)**
Net book value	
At 31 March 2009	**–**
At 31 March 2008	1,500

As explained in Note 5, the Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill has been allocated to the cash generating units of sales of fresh pork meat and related produce and property development. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2009 and 2008 is allocated as follows:

	2009 HK$'000	2008 HK$'000
Sales of fresh pork meat and related produce	**–**	1,500
Property development	**–**	—
	–	1,500

20. GOODWILL *(continued)*

During the year ended 31 March 2009, the Group assessed the recoverable amount of goodwill, and determined the goodwill associated with the sales of fresh pork meat and related produce unit was impaired by approximately HK$1,500,000 (2008: HK$3,552,000) and the property development unit was impaired by approximately HK$393,000 (2008: HK$6,000).

Sales of fresh pork meat and related produce

The recoverable amount of the sales of fresh pork meat and related produce unit was assessed by reference to value in use. A discount factor of 14.44% (2008: 17.01%) per annum was applied in the value in use model. The main factor contributing to the impairment of the cash generating unit was the expected sales have not been attained.

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period approved by management and a discount rate of 14.44% (2008: 17.01%).

The key assumptions used in the value in use calculations are as follows:

(i) Budgeted sales

The values assigned to the assumptions reflect past experience which is consistent with management plans for focusing operation in the sales of fresh pork meat and related produce. Management believes that the budgeted sales over the budget period is reasonably achievable.

(ii) Budgeted gross margin

The management expects the cost of fresh pork meat fluctuates, it considers that the Group would adjust the selling price correspondingly in order to maintain its gross margin. After taking into account this factor, the management considers that it is reasonable to expect a stable gross margin over the budget period.

Property development

The recoverable amount of the property investment unit was assessed by reference to value in use. A discount factor of 15.48% (2008: 17.01%) per annum was applied in the value in use model. The main factor contributing to the impairment was the Fuzhou property market has declined following reaching its peak in mid 2008.

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period approved by management and a discount rate of 15.48% (2008: 17.01%).

21. INTEREST IN AN ASSOCIATE

	The Group	
	2009	2008
	HK$'000	HK$'000
Cost of investment in an associate – listed in Hong Kong	**162,990**	—
Loss on deemed disposal of interest in an associate	**(9,127)**	—
Share of profit	**16,559**	—
Less: Provision for impairment	**(44,183)**	—
	126,239	—
Market value of listed associate	**55,486**	—

On 30 October 2008, the Group enter into a sale and purchase agreement acquired 27.14% of the issued share capital of China Agri-Products Exchange Limited ("China Agri-Products") at a consideration of HK$150,000,000. The consideration was satisfied in cash. The amount of goodwill arising as a result of the acquisition was approximately HK$44,183,000. The completion of the acquisition was on 10 February 2009. Such transaction constituted a major transaction for the Company under the Listing Rules. For more details, please refer to the Company's circular dated 24 November 2008.

China Agri-Products completed the revised top-up placing and the revised top-up subscription on 20 February 2009 and 25 February 2009 respectively. The shareholding of the Group over China Agri-products decreased to 22.62% after the top-up placing completed by China Agri-Products. Loss on deemed disposal of interest in an associate of approximately HK$9,127,000 was incurred. For more details, please refer to the Company's announcement dated 16 February 2009.

During the period from 23 February 2009 to 27 February 2009, the Group further acquired 54,000,000 issued shares of China Agri-Products with a total consideration of approximately HK$12,990,000. The consideration was satisfied in cash. Excess of the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities over the cost of the Group's interest of approximately HK$11,974,000 incurred from this acquisition. After the acquisition, the Group holds 28.49% interest over China Agri-Products. For more details, please refer to the Company's announcements dated 23 February 2009 and 26 February 2009.

During the year ended 31 March 2009, the Group assessed the recoverable amount of the associate and determined the interest in an associate was impaired by approximately HK$44,183,000 (2008: Nil). The recoverable amount of the associate was assessed by reference to value in use. A discount factor of 13.96% (2008: Nil) per annum was applied in the value in use model.

21. INTEREST IN AN ASSOCIATE *(continued)*

The main factor contributing to the impairment was the profit contributable by the associate in the budget period may not match with previous expectation. The recoverable amount of the associate is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 13.96% per annum.

Cash flow projections during the budget period are based on the same expected gross margins and the same raw material price inflation rate during the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2.2% per annum growth rate. This growth rate does not exceed the long term average growth rate for the market in which the associate operate. Management believes that a 2.2% per annum growth rate is reasonable.

The key assumptions used in the value in use calculations are as follows:

(i) Budgeted sales

The values assigned to the assumptions reflect past experience which is consistent with management plans for focusing operation in the property rental, restaurant operation and property investment. Management believes that the budgeted sales over the budget period is reasonably achievable.

(ii) Budgeted gross margin

Average gross margins achieved in the period immediately before the budget period is expected be steady over the budget period. Although the management expects the operating cost is fluctuates, it considers that the Group would adjust the selling price correspondingly in order to maintain its gross margin. After taking into account this factor, the management considers that it is reasonable to expect a stable gross margin over the budget period.

21. INTEREST IN AN ASSOCIATE *(continued)*

As at 31 March 2009, the particulars of the Group's associate are as follows:

Name	Business structure	Place of incorporation and operations	Class of share held	Portion of issued capital/voting power held by the Group	Principal activity
China Agri-Products*	Corporate	Bermuda/ Mainland China	Ordinary	28.49%	Property rental, restaurant operation and property investment

* The financial statements of China Agri-Products were not audited by HLB Hodgson Impey Cheng.

The financial year end date for China Agri-Products is 31 December. For the purpose of applying the equity method of accounting, China Agri-Products has prepared a separate set of financial statements as of 31 March 2009.

Financial information of China Agri-Products is set out as follows:

	2009 HK$'000
Total assets	**2,014,500**
Total liabilities	**(1,320,500)**
Minority interest	**(250,900)**
Net assets	**443,100**

21. INTEREST IN AN ASSOCIATE *(continued)*

	2009 HK$'000
Group's share of net assets of an associate	**126,239**
Revenue	**10,119**
Profit for the period from the date of acquisition to 31 March 2009	**16,094**
Group's share of profit of an associate for the period from the date of acquisition to 31 March 2009	**4,585**

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

As at 31 March 2008, the Group had interests in the following jointly-controlled entities:

Name of entity	Form of business structure	Principal place incorporation and operation	Nominal value of ordinary/ paid up share capital	Proportion of nominal value of ordinary/ paid up share capital held by the Group	Proportion of voting power held	Principal activity
Vast Time Limited	Incorporated	Hong Kong	HK$1,000	50%	50%	Investment holding
Fuzhou Wang On Property Development Co., Ltd.	Incorporated	Mainland China	RMB321,480,000	50%	50%	Property development

During the year ended 31 March 2009, the Group had further acquired the remaining 50% share capital of the jointly-controlled entities by acquiring the entire issued share capital of Strengthen Investments Limited ("Strengthen Investments"), which is a beneficial owner of another 50% share capital of the jointly-controlled entities. After the completion of the acquisition, the jointly-controlled entities become the indirect wholly-owned subsidiaries of the Company. For details, please refer to Note 37 of the financial statements.

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at costs	**–**	—
Amounts due from subsidiaries	**912,030**	575,626
Amount due to a subsidiary	**23,302**	30,050

The amounts due from/(to) subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-fee and are repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Loyal Fame International Limited	BVI	US$1	100%	Investment holding
Indirectly held				
Billion Trader Investments Limited	BVI	US$1	100%	Securities investment
Golden Maker (Dongguan) Property Development Co., Limited	Mainland China	RMB141,768,767	100%	Property development
Greatest Wealth Limited	Hong Kong	HK$100	100%	Operation of retail stalls selling fresh pork meat and related produce

23. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ Registration and operations	Nominal value of ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Top Infinity Limited	Hong Kong	HK$1	100%	Provision of administrative services
Fuzhou Wang On Property Development Co, Ltd	Mainland China	RMB340,000,000	100%	Property development

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

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

24. INVENTORIES

	The Group	
	2009	2008
	HK$'000	HK$'000
Finished goods	**69**	81

25. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days for sales of fresh pork meat and related produce segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. No trade receivable is past due as at 31 March 2009. The Group does not hold any collateral over these balances.

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

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 30 days	**15**	35

	The Group	
	2009	2008
	HK$'000	HK$'000
Movement in allowance for doubtful debts:		
At the beginning of the year	**–**	17,216
Impairment loss recognised on trade receivables	**–**	1,130
Reversal of impairment loss	**–**	(116)
Exchange realignment	**–**	106
Disposal of subsidiaries	**–**	(18,336)
At the end of the year	**–**	—

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current assets:				
Designated at fair value through profit or loss:				
– Callable range accrual note	**–**	1,931	**–**	1,931
– Unlisted debt securities (note a)	**4,110**	—	**4,110**	—
	4,110	1,931	**4,110**	1,931
Current assets:				
Held for trading:				
– Equity securities listed in Hong Kong (note b)	**13,755**	23,465	**–**	—
– Unlisted bond fund (note c)	**2,896**	—	**–**	—
	16,651	23,465	**–**	—
	20,761	25,396	**4,110**	1,931

Note:

(a) The unlisted debt securities are denominated in US dollar with maturity date on 16 February 2011. The fair value of debt securities is reference to the quoted market bid price.

(b) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the Stock Exchange.

(c) The unlisted bond fund is denominated in US dollar. The fair value of unlisted bond fund is reference to the quoted market bid price.

27. CASH AND BANK BALANCES

At the balance sheet date, the cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$1,582,000 (2008: HK$3,163,000) which is not freely convertible into other currencies.

28. TRADE PAYABLES

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

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 90 days	**316**	231

29. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets:				
Redemption option of convertible notes (note a)				
At the beginnng of the year	**3,434**	—	**3,434**	—
Arising on issuance of convertible notes (Note 32)	**–**	6,459	—	6,459
Fair value change	**(866)**	(3,025)	**(866)**	(3,025)
At the end of the year	**2,568**	3,434	**2,568**	3,434
Liabilities:				
Equity accumulator (note b)	**–**	1,343	**–**	—

30. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Notes:

(a) Pursuant to the agreement in relation to the issuance of convertible notes with a principal amount of HK$190,000,000 (Note 32(c)), a redemption option is held by the Company. The Company may at any time from the date of issue of the convertible notes up to the date immediately before the maturity date of the convertible notes, redeem the convertible notes up to the date immediately before the maturity date of the convertible notes, redeem the convertible notes (in whole or in part) at the principal amount of the convertible note to be redeemed.

The redemption option derivatives are carried at fair value at the balance sheet date. The fair value of the conversion option derivatives embedded in the convertible notes is approximately HK$2,568,000 (2008: HK$3,434,000) and are calculated using the Black Scholes model. Details of the variables and assumptions of the model are as follows:

Date of issue:	5 October 2007
Share price at date of valuation:	HK$0.12
Remaining life at 31 March 2009:	3.5 years
Risk free interest rate:	1.33%
Expected volatility:	1.47%

(b) The equity accumulators of HSBC Holdings PLC Ltd and Cheung Kong Holdings Limited were matured on 6 November 2008 and 14 January 2009 respectively.

31. INTEREST-BEARING LOAN FROM A RELATED COMPANY

The Group and the Company

The loan with a principal amount of HK$40,000,000 from a related company, Fully Finance Limited ("Fully Finance"), is unsecured, carries interest at 6% per annum and is repayable on 28 January 2011.

Fully Finance is an indirect wholly owned subsidiary of Wang On Group Limited ("WOG") which held 23.89% of the shareholding interests in Wai Yuen Tong Medicine Holdings Limited ("WYT") which in turn held 29.97% of the shareholding interests in the Company as at 29 January 2009.

32. CONVERTIBLE NOTES

The Group and the Company

(a) On 24 January 2007, the Company issued 6.5% convertible notes with a principal amount of HK$3,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.2 each (subject to adjustment as stipulated in the agreement of the convertible notes). The convertible notes carried interest at a rate of 6.5% per annum, which is payable semi-annually in arrears and the convertible notes were fully converted into the Company's shares during the year ended 31 March 2008. The effective interest rate of the liability component was 8.45%.

(b) On 25 July 2007, the Company issued 6.5% convertible notes with a principal amount of HK$7,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.2 each (subject to adjustment as stipulated in the agreement of the convertible notes). The convertible notes carried interest at a rate of 6.5% per annum, which is payable semi-annually in arrears and the convertible notes were fully converted into the Company's shares during the year ended 31 March 2008. The effective interest rate of the liability component was 8.45%.

(c) On 5 October 2007, the Company issued 3% convertible notes with a principal amount of HK$190,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.12 each (subject to adjustment as stipulated in the agreement of the convertible notes). The convertible notes carries interest at a rate of 3% per annum, which is payable semi-annually in arrears. The maturity date of the convertible notes is 5 years later. The effective interest rate of the liability component is 5.92%.

32. CONVERTIBLE NOTES *(continued)*

The convertible notes contain two components, liability and equity elements. The equity element is presented in equity heading "Convertible notes equity reserve". The convertible notes have been split as to the liability and equity components, as follows:

	2009	2008
	HK$'000	HK$'000
Nominal value of convertible notes issued during the year	**–**	197,000
Derivative financial instruments (Note 30)	**–**	6,459
Liability component	**–**	(172,977)
Equity component	**–**	30,482
Liability component at the beginning of the year	**168,355**	2,856
Liability component at the issuance date	**–**	172,977
Conversion into shares	**–**	(9,516)
Interest expense charged	**10,019**	4,888
Interest payable	**(5,700)**	(2,850)
Liability component at the end of the year	**172,674**	168,355

The fair value of the liability component of the convertible notes at 31 March 2009 and 2008 was determined base on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximate the corresponding carrying amounts. For details, please refer to Note 4(b) to the financial statements.

33. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the years ended 31 March 2009 and 2008:

Deferred tax liabilities

	Convertible notes HK$'000	Revaluation of properties HK$'000	Total HK$'000
The Group:			
At 1 April 2007	—	—	—
Charge to equity for the year	3,905	—	3,905
(Credit)/charge to consolidated income statement for the year (Note 12)	(334)	330	(4)
At 31 March 2008 and 1 April 2008	3,571	330	3,901
Release upon disposal of subsidiaries (Note 12)	—	(330)	(330)
Credit to consolidated income statement for the year (Note 12)	(712)	—	(712)
At 31 March 2009	**2,859**	**—**	**2,859**

	Convertible notes HK$'000
The Company:	
At 1 April 2007	—
Charge to equity for the year	3,905
Credit to income statement for the year	(334)
At 31 March 2008 and 1 April 2008	3,571
Credit to income statement for the year	(712)
At 31 March 2009	**2,859**

As at 31 March 2009 and 2008, the Group has estimated tax losses arising in Hong Kong of approximately HK$35,747,000 (2008: HK$26,760,000) that are available indefinitely for offsetting against future taxable profits of companies in which the losses arose. No deferred tax assets have been recognised due to the unpredictability of future profits streams.

34. SHARE CAPITAL

	Number of shares		Share capital	
	2009	2008	**2009**	2008
	'000	'000	**HK$'000**	HK$'000
Authorised:				
At the beginning of the year ordinary shares of HK$0.01 each	**20,000,000**	2,000,000	**200,000**	20,000
Increase in authorised share capital (note i)	**–**	18,000,000	**–**	180,000
At the end of the year ordinary shares of HK$0.01 each	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid:				
At the beginning of the year ordinary shares of HK$0.01 each	**7,691,500**	809,600	**76,915**	8,096
Placing of shares (note ii)	**–**	6,831,900	**–**	68,319
Conversion of convertible notes into shares (note iii)	**–**	50,000	**–**	500
At the end of the year ordinary shares of HK$0.01 each	**7,691,500**	7,691,500	**76,915**	76,915

34. SHARE CAPITAL *(continued)*

Notes:

(i) Pursuant to a resolution passed in the extraordinary general meeting held on 13 September 2007, the authorised share capital of the Company was increased from HK$20,000,000 to HK$200,000,000 by the creation of an additional 18,000,000,000 unissued shares.

(ii) As announced by the Company, on 7 August 2007, the Company, through a placing agent, placed 161,900,000 shares of HK$0.01 each at the placing price of HK$0.265 each for the purpose of increasing working capital for the daily operation. The top-up placing was completed on 16 August 2007.

As announced by the Company, on 7 August 2007, the Company, through a placing agent, placed 4,570,000,000 shares of HK$0.01 each at the placing price of HK$0.1 each for the purpose of (a) possible investment in the property development projects in Vietnam and/or the mainland China; (b) investment in other potential investment target; (c) repayment of an amount due to Gain Better Investments Limited ("Gain Better"); and (d) increasing working capital of the Company. The placing was completed on 5 October 2007.

As announced by the Company, on 7 August 2007, the Company, through a placing agent, placed 2,100,000,000 shares of HK$0.01 each at the placing price of HK$0.1 each for the purpose of (a) possible investment in the property development projects in Vietnam and/or the mainland China; (b) investment in other potential investment target; (c) repayment of an amount due to Gain Better; and (d) increasing working capital of the Company. The placing was completed on 5 October 2007.

(iii) During the year ended 31 March 2008, convertible notes with principal amount of HK$10,000,000 were converted into 50,000,000 ordinary shares at a conversion price of HK$0.2 each per share.

Share option scheme

Details of the Company's share option scheme are included in Note 35 to the financial statements.

35. SHARE OPTION SCHEME

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

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

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

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

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

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

As at the date of this report, the total number of shares available for issue under the Scheme is 769,150,000 shares, representing 10% of the share capital of the Company in issue as at the date of this report.

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

36. RESERVES

(a) The Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on page 32 of the financial statements.

The share premium account of the Group includes shares issued at premium.

Included in the revaluation reserve, amount of approximately HK$4,651,000 represents the adjustment on change in fair values on previously held 50% interest of prepaid lease payments. The Group initially acquired 50% equity interest on 10 December 2007 and further acquired the remaining 50% equity interest on 16 September 2008.

(b) The Company

	Share premium HK$'000 (Note i)	Convertible notes equity reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007	58,932	152	1,966	(67,034)	(5,984)
Share issue expenses	(13,789)	—	—	—	(13,789)
Issue of shares	641,585	—	—	—	641,585
Conversion of conversion notes into shares	9,523	(507)	—	—	9,016
Equity component of convertible notes (Note 32)	—	30,482	—	—	30,482
Cash received in excess of fair value of interest-bearing loans from shareholders	—	—	203	—	203
Release upon set off of interest-bearing loans from shareholders	—	—	(951)	951	—
Release upon repayment of interest-bearing loans from shareholders	—	—	(1,218)	1,218	—
Deferred tax arising on issue of convertible notes	—	(3,905)	—	—	(3,905)
Net profit for the year	—	—	—	12,145	12,145
At 31 March 2008 and 1 April 2008	696,251	26,222	—	(52,720)	669,753
Net loss for the year	—	—	—	(19,498)	(19,498)
At 31 March 2009	**696,251**	**26,222**	**—**	**(72,218)**	**650,255**

36. RESERVES *(continued)*

Note:

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

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

At 31 March 2009, the Company's reserves available for distribution to shareholders amounting to approximately HK$624,033,000 (2008: HK$643,531,000) and calculated in accordance with the Companies Law (2002 Revision) (Cap.22) of the Cayman Islands and the articles of association of the Company.

37. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2009

On 31 July 2008, Joyful Leap Investments Limited ("Joyful Leap"), an indirectly wholly-owned subsidiary of the Group, entered into an agreement to acquire the entire equity interest of Strengthen Investments Limited ("Strengthen Investments") and a related shareholder's loan in the principal amount of approximately HK$195,000,000 at an aggregate consideration of approximately HK$197,800,000. The consideration was satisfied in cash. The amount of goodwill arising as a result of the acquisition was approximately HK$393,000. The acquisition was completed on 16 September 2008.

Strengthen Investments holds 50% of the issued share capital of Vast Time Limited and its subsidiaries (collectively referred to as the "Vast Time Group"), the remaining 50% interest of which is beneficially owned by the Group. After the acquisition, Vast Time Group becomes the indirect wholly-owned subsidiaries of the Group.

Strengthen Investments is an indirect wholly-owned subsidiary of WOG which held 23.59% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 31 July 2008. Such transaction constituted a major transaction for the Company under the Listing Rules. For more details, please refer to the Company's circular dated 21 August 2008.

37. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 March 2009 *(continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	The carrying amount of the acquiree's net assets before combination and at their fair values HK$'000
Property, plant and equipment	317
Prepaid lease payments	185,000
Property under development	987
Prepayments, deposits and other receivables	211
Cash and bank balance	11,054
Other payables and accruals	(162)
	197,407
Goodwill (Note 20)	393
	197,800

	HK$'000
Total consideration satisfied by:	
Cash consideration	197,800

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

	HK$'000
Cash paid	197,800
Cash and bank balances acquired	(11,054)
Net cash outflow in respect of the purchase of subsidiaries	186,746

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

During the year ended 31 March 2009, no turnover was contributed by Strengthen Investments and its subsidiaries to the Group's turnover for the period from the date of acquisition to the balance sheet date.

37. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 March 2008

On 1 November 2007, Wisdom Gate Investments Limited ("Wisdom Gate"), a wholly-owned subsidiary of the Group, acquired 100% equity interests in Rich Fine Limited ("Rich Fine") at a consideration of HK$1. The consideration was satisfied in cash. The amount of goodwill arising as a result of the acquisition was approximately HK$6,000. Such transaction constituted a very substantial acquisition for the Company under the Listing Rules. For details, please refer to the Company's circular dated 15 October 2007.

On 10 January 2008, Joyful Leap acquired 100% equity interests in Brightest Investments Limited ("Brightest Investments") and shareholder's loan at a consideration of HK$240,000,000. The consideration was satisfied in cash.

Brightest Investments is a wholly-owned subsidiary of WOG which held 28.31% of the shareholding interests in WYT which in turn held 29.97% of shareholding interests in the Company as at 10 January 2008. Such acquisition constituted a disclosable transaction on the part of the Company under the Listing Rules. For more details, please refer to the Company's circular dated 25 January 2008.

37. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 March 2008 *(continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	Rich Fine	Brightest Investments	
	The carrying amount of the acquiree's net assets before combination and at their fair values HK$'000	The carrying amount of the acquiree's net assets before combination and at their fair values HK$'000	Total HK$'000
Prepaid lease payments	—	62,968	62,968
Prepayments, deposits and other receivables	—	176,857	176,857
Time deposits	—	66	66
Cash and bank balances	—	113	113
Other payables and accruals	(6)	(4)	(10)
	(6)	240,000	239,994
Goodwill (Note 20)	6	—	6
	—	240,000	240,000

	Rich Fine HK$'000	Brightest Investments HK$'000	Total HK$'000
Total consideration satisfied by:			
Cash consideration	—	240,000	240,000

37. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 March 2008 *(continued)*

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

	HK$'000
Cash paid	(240,000)
Cash and bank balances acquired	179
Net cash outflow in respect of the purchase of subsidiaries	(239,821)

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

During the year ended 31 March 2008, no turnover was contributed by Rich Fine and Brightest Investments to the Group's turnover for the period from the date of acquisition to the balance sheet date.

On 5 February 2008, the Group's proposed investment to form a joint venture in Vietnam for a land development project through Rich Fine, which entered into the heads of agreement with Nguyen Hung Trading Services Limited Liability Company, was terminated since Nguyen Hung Trading Services Limited Liability Company had failed to obtain the official decisions from the relevant governmental bodies of Vietnam. For more details, please refer to the Company's announcement dated 5 February 2008.

38. ACQUISITION OF JOINTLY-CONTROLLED ENTITES

For the year ended 31 March 2008

On 10 December 2007, Jumbo Sun Investments Limited, a wholly-owned subsidiary of the Group, acquired 50% equity interests in Vast Time Limited ("Vast Time") at a consideration of approximately HK$12,341,000 (RMB11,250,000). The consideration was satisfied in cash. For more details, please refer to the Company's circular dated 6 December 2007.

The net assets acquired in the transaction are as follows:

	The carrying amount of the acquiree's net assets before combination and at their fair values HK$'000
Prepaid lease payments	12,347
Prepayments, deposits and other receivables	2
Other payables and accruals	(8)
Cash consideration	12,341

	HK$'000
Total consideration satisfied by:	
Cash consideration	12,341

Analysis of the net cash outflow in respect of the acquisition of jointly-controlled entities:

	HK$'000
Net cash outflow in respect of the purchase of jointly-controlled entities	(12,341)

During the year ended 31 March 2008, no turnover was contributed by Vast Time to the Group's turnover for the period from the date of acquisition to the balance sheet date.

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2009

On 13 February 2009, Loyal Fame International Limited ("Loyal Fame"), a wholly-owned subsidiary of the Group, entered into a share sales agreement with Wang On Enterprises (BVI) Limited ("Wang On Enterprises") to dispose of the Group's entire equity interest in Everlong Limited, a then indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively referred to as the "Everlong Group") at a consideration of approximately HK$63,400,000. The disposal of Everlong Group was completed on 25 March 2009.

Wang On Enterprise is a wholly-owned subsidiary of WOG which held 25.32% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 13 February 2009. Such disposal constituted a disclosable transaction of the Company under the Listing Rules. For more details, please refer to the Company's announcement dated 13 February 2009.

The Group discontinued its investment holding business operations at the time of disposal of Everlong Group. The net assets of Everlong Group at the date of disposal were as follows:

Net assets disposed of:

	2009 HK$'000
Property, plant and equipment	225
Investment properties	98,766
Trade receivables	18
Prepayments, deposits and other receivables	198
Cash and bank balance	1,568
Other payables and accruals	(1,920)
Interest-bearing bank loans	(33,391)
	65,464
Loss on disposal of subsidiaries from discontinued operations (Note 9)	(2,064)
Total consideration:	
Cash	63,400

Analysis of the net cash inflow in respect of the disposal of subsidiaries:

	HK$'000
Cash consideration	63,400
Cash and bank balances disposed of	(1,568)
Net cash inflow in respect of the disposal of subsidiaries	61,832

The impact of Everlong Group on the Group's results and cash flows in the current and prior year is disclosed in Note 9.

39. DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 31 March 2008

On 25 January 2008, the Group entered into a share sales agreement with Taco Holdings Limited to dispose of the Group's equity interest in Born Idea Limited ("Born Idea"), a then indirect wholly-owned subsidiary of the Company, and its subsidiaries and associate ("Born Idea Group") at a consideration of approximately HK$18,108,000. The disposal of Born Idea was completed on 28 March 2008. For further details, please refer to the Company's circular dated 4 March 2008.

The Group discontinued its trading of fashion apparel business operations at the time of disposal of Born Idea. The net assets of Born Idea Group at the date of disposal were as follows:

Net assets disposed of:

	2008 HK$'000
Property, plant and equipment	872
Interests in an associate	6,564
Inventories	13,249
Trade receivables	11,425
Prepayments, deposits and other receivables	169
Cash and bank balance	7,723
Trade payables	(6,680)
Accruals and other payables	(2,504)
Obligations under finance lease	(686)
Tax payable	(33,369)
	(3,237)
Release of exchange fluctuation reserve	1,395
Gain on disposal of subsidiaries from discontinued operations (Note 9)	19,950
Total consideration:	
Interest-bearing loan from a shareholder	18,108

Analysis of the net cash outflow in respect of the disposal of subsidiaries:

	HK$'000
Cash and bank balances disposed of	(7,723)

The impact of Born Idea Group on the Group's results and cash flows in the prior year is disclosed in Note 9.

40. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**5,326**	4,321
In the second to fifth years, inclusive	**2,718**	4,814
	8,044	9,135

The Company has no material operating lease commitments as at 31 March 2009 (2008: Nil).

41. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the years ended 31 March 2009 and 2008, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

(i) On 23 February 2009, the Company obtained a HK$10,000,000 loan from Gain Better, a wholly-owned subsidiary of WYT and a shareholder of the Company, carried interest at a rate of 8% per annum with maturity date on 22 February 2010. The loan was fully repaid during the year ended 31 March 2009.

(ii) On 13 February 2009, Loyal Fame entered into a sale and purchase agreement with Wang On Enterprises to dispose of entire equity interest in Everlong Limited to Wang On Enterprises, at a consideration of approximately HK$63,400,000. Wang On Enterprises is the wholly-owned subsidiary of WOG which held 25.32% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 13 February 2009. The disposal of Everlong Group was completed on 25 March 2009.

(iii) On 29 January 2009, the Company obtained a HK$40,000,000 loan from Fully Finance, an indirect wholly-owned subsidiary of WOG which held 23.89% of the shareholding interest in WYT which in turn held 29.97% of the shareholding interests in the Company as at 29 January 2009, carries interest at a rate of 6% per annum with maturity date on 27 January 2011.

41. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(iv) On 31 July 2008, Joyful Leap entered into an agreement to acquire entire equity interest in Strengthen Investments and a sales loan at a consideration of HK$197,800,000. Strengthen Investments was the then wholly-owned subsidiary of WOG which held 25.32% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 31 July 2008. The acquisition was completed on 16 September 2008.

(v) On 30 July 2008, Kinwood Investment Limited, a wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement with Top Globe Limited, is currently owned as to 99% by Ms. Yau Yuk Yin who was a past director of Kinwood Investment Limited and Top Globe Limited.

(vi) On 10 January 2008, Joyful Leap acquired 100% equity interests in Brightest Investments at a consideration of HK$240,000,000. Brightest Investments was the then wholly-owned subsidiary of WOG which held 28.31% of the shareholding interests in WYT which in turn held 29.97% of the shareholding interests in the Company as at 10 January 2008.

(vii) On 5 October 2007, the Company issued 3% convertible notes to Gain Better, an indirect wholly-owned subsidiary of WYT which is a shareholder of the Company, with a principal amount of HK$190,000,000 (Note 32).

(viii) On 6 August 2007, Gain Better has entered into an agreement to subscribe 161,900,000 top-up subscription shares of the Company at top-up placing price of HK$0.265 per top-up placing share and 2,100,000,000 new issue shares of the Company at the subscription price of HK$0.1 per share.

(ix) On 25 July 2007, the Company issued 6.5% convertible notes to Gain Better with a principal amount of HK$7,000,000. The convertible notes were fully converted into the Company's shares during the year ended 31 March 2008 (Note 32).

(x) On 12 June 2007, the Company has obtained a HK$4,000,000 loan from Gain Better carried interest at a rate of 6.5% per annum with maturity date on 26 January 2010 to the Company. The loan was fully repaid during the year ended 31 March 2008.

(xi) In addition, the leasing of retail stalls from Wang On Majorluck Limited or Majorluck Limited, which were indirect wholly-owned subsidiaries of WOG, to Greatest Wealth Limited for the operation of its sales of fresh pork meat and related produce of approximately HK$5,835,000 (2008: HK$4,091,000).

(xii) During the year, management fee of approximately HK$960,000 (2008: HK$960,000) was paid to WOG for the provision of management service to the Company constitute a connected transaction.

41. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(xiii) During the year, the Group acquired the listed equity securities of WYT from the trade market. The fair value of the equity securities are based on the quoted market bid prices available on the Stock Exchange. The total consideration was approximately HK$1,161,000.

Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 10 is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**3,618**	2,640
Employer contribution to pension scheme	**30**	44
	3,648	2,684

42. CAPITAL COMMITMENT

At 31 March 2009, the Group had the following capital commitments:

	2009	2008
	HK$'000	HK$'000
Contracted but not provided for:		
Acquisition of investment properties	—	18,602

The Company has no material capital commitment as at 31 March 2009 (2008: Nil).

43. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 March 2009 (2008: Nil).

44. SUBSEQUENT EVENTS

(a) On 10 June 2009, Rich Skill Investments Limited ("Rich Skill"), an indirectly wholly-owned subsidiary of the Group, entered into a legally binding memorandum of understanding with Ms. To Yuk Fung, Mr. Lam Kam Hung, Mr. Tam Chi Hin (collectively referred to as "the Vendors") and Skywalker Global Resources Company Limited ("Skywalker"), pursuant to which the Group intends to acquire and the Vendors intend to sell an aggregate of 51% of the issued share capital of Skywalker ("Intended Acquisition") with a consideration of approximately HK$36,800,000 which will be satisfied by cash. For more details, please refer to the Company's announcement dated 11 June 2009.

On 13 July 2009, Rich Skill entered into a formal sale and purchase agreement with the Vendors to acquire 51% of the issued share capital of Skywalker with a consideration of approximately HK$36,800,000 which will be satisfied by cash. For more details, please refer to the Company's announcement dated 13 July 2009.

(b) On 10 June 2009, the Company entered into a conditional subscription agreement with Abterra Limited ("Abterra"), whose shares are listed on the main board of The Singapore Exchange Securities Trading Limited, under which the Company have conditionally agreed to subscribe for 255,000,000 shares from Abterra and Abterra have conditionally agreed to subscribed 385,000,000 new shares to be issued by the Company. The consideration to be paid by the Company for the subscription shall be set off by the consideration to be received by the Company for the issue of 385,000,000 new shares. For more details, please refer to the Company's announcement dated 12 June 2009.

(c) On 19 June 2009, China Agri-Products completed the placing of 2 billion shares, and the Company's shareholding interest in China Agri-Products has been diluted (the "Dilution") from approximately 28.49% to approximately 8.97%. For more details, please refer to the Company's announcement dated 25 June 2009.

45. COMPARATIVE FIGURES

Certain items in the consolidated financial statements have been reclassified to confirm with the current year's presentation.

46. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 July 2009.

Five Year Financial Summary

31 March 2009

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

	Consolidated year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Results					
Turnover	**61,822**	44,734	32,769	78,833	111,031
Cost of sales	**(38,740)**	(29,709)	(21,707)	(58,577)	(78,866)
Gross profit	**23,082**	15,025	11,062	20,256	32,165
Other revenue	**4,587**	12,128	115	66	40
Other income	**896**	190	1,712	443	—
Selling and distribution expenses	**(16,976)**	(12,775)	(9,392)	(12,258)	(14,128)
Administrative expenses	**(33,774)**	(22,766)	(14,002)	(15,111)	(12,937)
Impairment of prepaid lease payments	**(95,517)**	(29,617)	—	—	—
Impairment of goodwill	**(1,893)**	(3,558)	(1,515)	—	—
Impairment of property, plant and equipment	**–**	(40)	(701)	(663)	—
Impairment of interests in an associate	**(44,183)**	—	(265)	(105)	—
Impairment loss on trade receivables	**–**	—	(10,405)	(11,328)	(2,677)
Impairment loss on other receivables	**–**	(777)	—	—	—
Loss on deemed disposal of interest in an associate	**(9,127)**	—	—	—	—
Fair value changes on financial assets at fair value through profit or loss	**(19,821)**	(2,534)	—	—	—
Fair value changes on derivative financial instruments	**477**	(4,034)	—	—	—
Loss on early redemption of a shareholder's loans	**–**	(1,041)	—	—	—
Provision for obsolete inventories	**–**	—	(18,770)	(20,740)	(4,822)

Five Year Financial Summary *(continued)*

31 March 2009

	Consolidated year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Results *(continued)*					
Finance costs	**(10,493)**	(7,066)	(446)	(6)	(12)
Share of profit/(loss) of an associate	**16,559**	—	(1,962)	68	15
Loss before taxation	**(186,183)**	(56,865)	(44,569)	(39,378)	(2,356)
Taxation	**230**	30	(6)	(32)	(1,284)
Loss for the year from continuing operations	**(185,953)**	(56,835)	(44,575)	(39,410)	(3,640)
Loss for the year from discontinued operations	**(20,088)**	(2,318)	—	—	—
Loss for the year	**(206,041)**	(59,153)	(44,575)	(39,410)	(3,640)
Loss for the year attributable to:					
– Equity holders of the Company	**(206,041)**	(59,153)	(43,814)	(39,410)	(3,640)
– Minority interest	**–**	—	(761)	—	—
	(206,041)	(59,153)	(44,575)	(39,410)	(3,640)
Loss per share					
– Basic (HK cents)	**(2.68)**	(1.41)	(5.41)	(4.87)	(0.45)
– Diluted (HK cents)	**(2.68)**	(1.41)	(5.41)	(4.87)	(0.45)

Five Year Financial Summary *(continued)*

31 March 2009

	Consolidated as at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**711,555**	869,038	80,182	79,588	115,973
Total liabilities	**(224,720)**	(182,432)	(78,015)	(34,726)	(32,872)
	486,835	686,606	2,167	44,862	83,101
Equity attributable to equity holders of the Company	**486,835**	686,606	2,167	44,862	83,101
Minority interests	**—**	—	—	—	—
	486,835	686,606	2,167	44,862	83,101

Notes:

1. The results of the Group for the years ended 31 March 2009 and 2008 are those set out on page 26 of this annual report.