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LEROI HOLDINGS LIMITED

利來控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 221)

PROPOSED VERY SUBSTANTIAL ACQUISITION IN RELATION TO INVESTMENT IN A JOINT VENTURE THROUGH THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF RICH FINE

Financial adviser to LeRoi Holdings Limited



CIMB-GK Securities (HK) Limited

A notice convening the EGM to be held at 41/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong at 10:00 a.m. on Thursday, 1 November 2007 is set out on pages 114 to 115 of this circular. Whether or not you are able to attend the EGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

15 October 2007

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong
“Charter Capital”	the charter capital of the Joint Venture Company of approximately US\$32.8 million (equivalent to approximately HK\$255.8 million) pursuant to the Heads of Agreement
“Company”	LeRoi Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the date of completion of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the directors of the Company, including the independent non-executive directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the addition of Rich Fine following completion of the Sale and Purchase Agreement
“Group”	the Company together with its subsidiaries
“Guarantors”	Messrs. Ho The Hung, Tran Minh Tam, Chow Seng Chun and Young Nickson
“Heads of Agreement”	the agreement dated 4 September 2007 entered into between Rich Fine and Nguyen Hung in relation to the formation of the Joint Venture Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Joint Venture Company”	a joint venture company to be established in Vietnam and to be held (subject to adjustments) as to 80% shareholding interest by Rich Fine and as to 20% shareholding interest by Nguyen Hung pursuant to the Heads of Agreement
“Land Cost”	the aggregate amount of the funds needed for obtaining the land use rights certificate for the Land Site, including compensation to the current occupant for vacating from the Land Site, the conversion of the land use purpose to residential and commercial, the land use fees, land tax or other expenses payable for obtaining the land use rights certificate for the Land Site
“Land Site”	a site located in Huu Thanh Commune of Duc Hoa District, Long An Province, Vietnam covering an area of approximately 586 hectares
“Latest Practicable Date”	10 October 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information continued in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan to be made to Nguyen Hung of approximately US\$6.6 million (equivalent to approximately HK\$51.2 million) by Rich Fine pursuant to the terms of the Loan Agreement
“Loan Agreement”	the loan agreement to be entered into between Rich Fine as lender and Nguyen Hung as borrower in respect of the Loan
“Nguyen Hung”	Nguyen Hung Trading Services Limited Liability Company, a limited liability company established under the laws of Vietnam
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region
“Project”	the proposed development of a golf course, high-end villas and middle-income residential complex at the Land Site
“Rich Fine”	Rich Fine Limited, a company incorporated in Hong Kong and a company wholly owned by the Vendor
“Sale and Purchase Agreement”	a conditional sale and purchase agreement dated 13 September 2007 entered into between Wisdom Gate and the Vendor in relation to the acquisition of the entire issued share capital of Rich Fine from the Vendor by Wisdom Gate

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Vendor”	Mr. Tang Ching Ho
“Vietnam”	the Socialist Republic of Vietnam
“Wisdom Gate”	Wisdom Gate Investments Limited, a company incorporated in the British Virgin Islands, an indirect wholly-owned subsidiary of the Company
“WYT”	Wai Yuen Tong Medicine Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

For the purpose of illustration, amounts denominated in US\$ in this circular have been translated into HK\$ at the rate of US\$1 = HK\$7.8. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

LETTER FROM THE BOARD



LEROI HOLDINGS LIMITED

利來控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 221)

Executive Directors:

Mr. Hung Man Sing (*Chairman*)

Mr. Chan Chun Hong, Thomas (*Managing Director*)

Mr. Ng Cheuk Fan, Keith

Mr. Cheung Wai Kai

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Mr. Sin Ka Man

Mr. Yuen Kam Ho, George

Mr. Cheung Sau Wah, Joseph

Head office and principal

place of business:

5th Floor

Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

15 October 2007

To the Shareholders

Dear Sir/Madam,

**PROPOSED VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
INVESTMENT IN A JOINT VENTURE THROUGH
THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF RICH FINE**

INTRODUCTION

As announced by the Company on 17 September 2007, it had been in discussions with Nguyen Hung regarding the formation of a joint venture to develop a golf-course, high-end villas and middle-income residential complex at the Land Site. Given the size of the Project, the Company would need to seek the Shareholders' approval for participating in the Project at a general meeting of the Company, which would take at least 2 months' time to arrange. To secure the Project and to facilitate the Company's participation in the Project (subject to the Shareholders' approval), on 4 September 2007, Rich Fine, a company wholly owned by the Vendor, and Nguyen Hung entered into the legally

LETTER FROM THE BOARD

binding Heads of Agreement to establish the Joint Venture Company for the purpose of carrying out the development of the Project. On 13 September 2007, Wisdom Gate, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement pursuant to which Wisdom Gate has conditionally agreed to purchase the entire issued share capital of Rich Fine from the Vendor at the nominal consideration of HK\$1.00.

Upon completion of the Sale and Purchase Agreement, Rich Fine will become a wholly-owned subsidiary of the Company and all of its rights and obligations under the Heads of Agreement will become the rights and obligations of the Group.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details regarding the Heads of Agreement and the Sale and Purchase Agreement; (ii) information about the Group; (iii) a notice of the EGM; and (iv) other information as required under the Listing Rules.

THE HEADS OF AGREEMENT

Date

4 September 2007

Parties

- (i) Rich Fine; and
- (ii) Nguyen Hung.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiry, Nguyen Hung and its ultimate beneficial owners are independent third parties not connected with the Company, any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. Nguyen Hung is an investment holding company.

Total investment amount and the Charter Capital

Pursuant to the Heads of Agreement, the total investment amount of the Joint Venture Company shall be US\$200 million (equivalent to approximately HK\$1,560 million) and the Charter Capital of the Joint Venture Company shall be approximately US\$32.8 million (equivalent to approximately HK\$255.8 million). The Charter Capital will be contributed by Rich Fine and Nguyen Hung in the following manner:

1. Nguyen Hung will contribute 20% of the Charter Capital of approximately US\$6.6 million (equivalent to approximately HK\$51.2 million) in cash. Nguyen Hung will pay for such amount by utilizing the proceeds from the Loan, details of which are set out in the paragraph below headed "The Loan". Nguyen Hung's interest in the Joint Venture Company shall in no event exceed 20%.

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2. Rich Fine will contribute 80% of the Charter Capital of approximately US\$26.2 million (equivalent to approximately HK\$204.6 million) in cash. The schedule of capital contribution will be determined in the joint venture agreement. (Further details of the joint venture agreement are set out in the paragraph below headed “Joint Venture Agreement”).

The Charter Capital will be used by the Joint Venture Company to pay the Land Cost. The exact amount of the Land Cost has not been determined yet. However, based on the preliminary assessment by the Directors, the Land Cost should not exceed US\$32.8 million (equivalent to approximately HK\$255.8 million).

Under the Heads of Agreement, Nguyen Hung has undertaken that the aggregate Land Cost shall not exceed US\$32.8 million (equivalent to approximately HK\$255.8 million) and any excess over US\$32.8 million (equivalent to approximately HK\$255.8 million) will be borne by Nguyen Hung.

In the event that the Land Cost exceeds US\$32.8 million (equivalent to approximately HK\$255.8 million), Rich Fine shall have the absolute discretion (but not an obligation) to pay the excess and in the event that Rich Fine elects to pay for the excess, the portion of the Charter Capital contribution for each of Rich Fine and Nguyen Hung shall be recalculated and adjusted in proportion to the actual amount paid by the parties.

In the event that the aggregate of the Land Cost and the costs for the establishment of the Joint Venture Company is below US\$32.8 million (equivalent to approximately HK\$255.8 million) by at least US\$1 million (equivalent to approximately HK\$7.8 million), for every US\$1.0 million (equivalent to approximately HK\$7.8 million) saving, Rich Fine shall pay Nguyen Hung a bonus service fee of US\$200,000 (equivalent to approximately HK\$1.6 million) within three months from the date on which the Joint Venture Company obtains the land use rights certificate for the Land Site.

The difference between the total investment amount and the Charter Capital contributed as aforesaid will be financed by loans from third parties or financial institutions and/or shareholder's loans as the board of directors of the Joint Venture Company may determine in the future.

Land Site milestones

Nguyen Hung has agreed to make the following arrangements:

- (i) obtain the following official decisions within 6 months from 1 August 2007: (a) official decision by the Department of Natural Resources and Environment of Long An Province in respect of granting the right to develop a residential area (including but not limited to high-end villas and middle-income housing) and a golf course on the Land Site; (b) official decision by the People's Committee of Long An Province in respect of granting the right to develop a residential area (including but not limited to high-end villas and

LETTER FROM THE BOARD

middle-income housing) and a golf course on the Land Site; (c) official decision by the provincial level of the Long An People's Committee (Duc Hoa District) approving the compensation plan to the current occupant of the Land Site; and (d) official decision by the People's Committee of Long An Province reclaiming public ownership in respect of the Land Site (together, the "**First Milestone**");

- (ii) clear the Land Site and complete the land compensation with all land rights/title duly assigned by the current occupant of the Land Site to the People's Committee of Long An Province within 12 months from 1 August 2007;
- (iii) assist the Joint Venture Company to obtain all necessary government approvals to develop the Land Site into a residential area (including but not limited to high-end villas and middle-income housing) and a golf course within 12 months from 1 August 2007 (together with the milestone described in (ii) above, the "**Second Milestone**"); and
- (iv) assist the Joint Venture Company to obtain the land use rights certificate with respect to the Land Site under the Joint Venture Company's name within 15 months from 1 August 2007 (the "**Final Milestone**").

Subject to prior written approval by Rich Fine, the above time limits can be extended in the event that there is any delay by the relevant government authority in Vietnam in processing the issue of the land use rights certificate of the Land Site that is beyond the control of Nguyen Hung. Further announcement will be made by the Company if any of the above milestones are not met.

The Loan

Pursuant to the Heads of Agreement, Rich Fine and Nguyen Hung will enter into the Loan Agreement pursuant to which Rich Fine will advance an aggregate amount of approximately US\$6.6 million (equivalent to approximately HK\$51.2 million) to Nguyen Hung. Upon fulfilling the First Milestone and upon Nguyen Hung pledging its shareholding in the Joint Venture Company to Rich Fine as security for the Loan, Rich Fine will make the first payment of the Loan in the sum of US\$500,000 (equivalent to approximately HK\$3.9 million) to Nguyen Hung. The payment schedule of the balance of the Loan of approximately US\$6.1 million (equivalent to approximately HK\$47.3 million) will be determined by Rich Fine with reference to the progress of the other milestones relating to the Land Site described above. The terms of the Loan, including interest rate, will be determined with reference to the prevailing market conditions and will be set out in the Loan Agreement.

Upon the Joint Venture Company obtaining the land use rights certificate for the Land Site, Rich Fine will waive the Loan as consideration for Nguyen Hung's contribution in procuring the land use rights certificate of the Land Site to be vested with the Joint Venture Company.

LETTER FROM THE BOARD

Call option

Nguyen Hung agrees that in any circumstances within four years from the date of the establishment of the Joint Venture Company, Rich Fine shall have absolute discretion to decide whether to purchase the 20% of the total Charter Capital contributed by Nguyen Hung to the Joint Venture Company at the price of approximately US\$6.6 million (equivalent to approximately HK\$51.2 million).

Guarantee

Pursuant to the Heads of Agreement, the Guarantors agree to guarantee, on a joint and several basis, in favour of Rich Fine the repayment of all sums paid by Rich Fine arising from any default or breach by Nguyen Hung under the Heads of the Agreement and the Loan Agreement.

Profit sharing

The net distributable profits of the Joint Venture Company will be shared by Rich Fine and Nguyen Hung in the ratio of 80:20 (subject to adjustment described in the paragraph headed “Total investment amount and the Charter Capital” above).

Upon the liquidation or dissolution of the Joint Venture Company, the value of the remaining assets of the Joint Venture Company, after returning to Rich Fine its contribution to the Charter Capital, will be shared by Rich Fine and Nguyen Hung in the ratio of 80:20 (subject to adjustment described in the paragraph headed “Total investment amount and the Charter Capital” above).

Completion

The Heads of Agreement is not subject to any condition precedent and became effective on the date of signing.

Termination clauses

Rich Fine may terminate the Heads of Agreement without liability to Nguyen Hung if, among other things:

- (i) any of the above milestones relating to the Land Site cannot be achieved within the time limit; or
- (ii) the Land Cost exceeds US\$32.8 million (equivalent to approximately HK\$255.8 million).

In the event that the Heads of Agreement is terminated under the termination clauses as stipulated in the Heads of Agreement, except for the occurrence of certain force majeure events rendering Nguyen Hung unable to observe or perform on time an obligation under Heads of Agreement and such breach subsists for six months, Nguyen Hung is required to refund to Rich Fine all sums (including costs and expenses incurred) paid by Rich Fine as aforesaid within 7 days from the date of termination of the Heads of Agreement. Such repayment obligation of Nguyen Hung is guaranteed by the Guarantors.

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Rich Fine also has the right to terminate the Heads of the Agreement despite the Project is fully approved by the relevant authorities, all the milestones relating to the Land Site have been fulfilled and Nguyen Hung has complied with all terms and conditions set out in the Heads of Agreement. If this is the case, Rich Fine will pay a compensation of US\$1.0 million (equivalent to approximately HK\$7.8 million) to Nguyen Hung.

Joint venture agreement

Pursuant to the Heads of Agreement, Rich Fine and Nguyen Hung will enter into a joint venture agreement (the “**Joint Venture Agreement**”) in relation to certain areas relating to the Joint Venture Company. It is currently expected that Rich Fine and Nguyen Hung will enter into the Joint Venture Agreement by December 2007.

The areas to be provided for in the Joint Venture Agreement will include the terms of the Heads of Agreement as described above and the schedule of capital contribution by the joint venture parties to the Joint Venture Company. It is currently intended by both parties that the schedule of capital contribution will match with the progress of the milestones relating to the Land Site and is, based on present estimation and available information, presently anticipated as follows:

- (i) approximately US\$0.5 million will be required upon fulfillment of the First Milestone, which is expected to be by the end of December 2007;
- (ii) approximately US\$20.5 million will be required upon fulfillment of the Second Milestone, which is expected to be by the end of July 2008; and
- (iii) approximately US\$11.8 million will be required upon fulfillment of the Final Milestone, which is expected to be by the end of October 2008.

It is currently intended that there will be no condition precedents in the Joint Venture Agreement. However, the Joint Venture Agreement will contain similar termination clause as set out in the Heads of Agreement. Under the Heads of Agreement, Rich Fine may terminate the Heads of Agreement if, among other things, any milestones cannot be achieved within the relevant time limit (that is, by the end of December 2007 for the First Milestone, by the end of July 2008 for the Second Milestone, and by the end of October 2008 for the Final Milestone). In the event that the Heads of Agreement or the Joint Venture Agreement (as the case may be) is terminated, the acquisition of the Land Site by the Joint Venture Company will not be completed and Nguyen Hung is required to refund to Rich Fine all sums paid by Rich Fine within seven days from the date of termination of the Heads of Agreement.

The Board does not currently expect that the form of the eventually finalized joint venture agreement will contain material terms which are not already in the Heads of Agreement. If the Joint Venture Agreement includes such terms, the Company will make further announcement and will ensure full compliance with Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENT

Date

13 September 2007

Parties

- (i) Vendor: The Vendor, who is not a connected person of the Company, is the Chairman and a substantial shareholder (with a shareholding interest of approximately 15.0% as at the Latest Practicable Date) of Wang On Group Limited (“**WOG**”), which is a substantial shareholder of WYT, which is the Company’s substantial shareholder holding approximately 29.97% of the Company’s issued share capital as at the Latest Practicable Date. Both WOG and WYT are companies listed on the main board of the Stock Exchange.
- (ii) Purchaser: Wisdom Gate, a wholly-owned subsidiary of the Company

Asset to be acquired

One issued share in Rich Fine, which represents the entire issued share capital of Rich Fine, from the Vendor. Save for entering into the Heads of the Agreement, Rich Fine has no other business or assets.

At completion, Wisdom Gate is also required to take over from the Vendor the total outstanding amount of all the loans advanced by the Vendor to Rich Fine and owing by Rich Fine to the Vendor or the outstanding balance thereof, for the purpose of reimbursing Nguyen Hung in respect of the expenses incurred or to be incurred in the application of the relevant licenses of the Land Site, as at the Completion Date. As at the Latest Practicable Date, there is no loan advanced by the Vendor for such purpose. The Vendor has undertaken that Rich Fine will not incur liabilities (including loans advanced by the Vendor) exceeding US\$600,000 (equivalent to approximately HK\$4.7 million) during the period from the date of the Sale and Purchase Agreement to the Completion Date.

Consideration

The consideration of HK\$1.00, which represents the nominal value of the entire issued share capital of Rich Fine, was determined by the parties considering the original intention of the Company to participate in the Project.

Completion

Completion of the Sale and Purchase Agreement is conditional upon the passing of a resolution by the Shareholders to approve to the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM and shall take place on the third Business Day from the date on which the condition precedent is fulfilled.

LETTER FROM THE BOARD

Following completion of the Sale and Purchase Agreement, Rich Fine will become a wholly-owned subsidiary of the Company and all of its rights and obligations under the Heads of Agreement will become the rights and obligations of the Group.

PRINCIPAL BUSINESS OF THE GROUP

The Group is principally engaged in the trading of fashion apparel to the market in the PRC, the sale of fresh pork meat and related products, and property holding.

Set out below is the audited consolidated financial information on the Company as extracted from the annual report of the Company for the year ended 31 March 2007:–

	For the year ended 31 March 2007	For the year ended 31 March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	32,769	78,833
Net loss before taxation	44,569	39,378
Net loss after taxation	44,575	39,410
Net assets	2,167	44,862

REASONS FOR THE ESTABLISHMENT OF THE JOINT VENTURE COMPANY

Reference is made to the joint announcement dated 7 August 2007 issued by the Company and WYT in relation to, among other things, the fund raising exercises of the Company and its potential investment plans in Vietnam. Given the continued influx of foreign investments, Vietnam is in the process of rapid urbanization, and currently the local demand for both residential real estate and offices space in the main population centres and areas of employment is outstripping supply. Accordingly, the Directors are of the view that the future prospects of the Vietnam property market are promising and investment in such projects may offer good financial return.

The Joint Venture Company is to be established for the purpose of developing a property project on the Land Site which is in line with the Company's current investment plan and will diversify the Group's geographical area of operation into Vietnam, which is beneficial to the long term development of the Company.

Assuming the conditions for the completion of the Sale and Purchase Agreement is fulfilled and Rich Fine becomes a wholly-owned subsidiary of the Company, the investment of the Group in the Joint Venture Company will be funded by the Group's internal resources. The Joint Venture Company will be accounted for as a subsidiary of the Company.

The Directors expect that upon completion of the Sale and Purchase Agreement, there will be no immediate material impact on the earnings, total assets or net asset value of the Group.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

Upon completion of the Sale and Purchase Agreement, Rich Fine will become a wholly-owned subsidiary of the Company and the formation of the Joint Venture Company by Rich Fine pursuant to the Heads of Agreement will constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Accordingly, the completion of the Sale and Purchase Agreement is subject to the approval of the Shareholders at the EGM. As no Shareholder has an interest in the Sale and Purchase Agreement which is materially different from the other Shareholders, no Shareholder is required to abstain from voting at the EGM.

THE EGM

There is set out on pages 114 to 115 of this circular a notice convening the EGM to be held at 41/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Thursday, 1 November 2007 at 10:00 a.m., at which a resolution will be proposed to the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

No Shareholder is required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

PROCEDURES FOR DEMANDING A POLL

According to article 66 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (d) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

RECOMMENDATION

The terms of the Heads of Agreement were arrived at after arm's length negotiations with Nguyen Hung taking into account market conditions in Vietnam. The Directors consider that the terms of the Heads of Agreement, which allow the Company to diversify into the growing Vietnam property market, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Also the Directors consider that the Sale and Purchase Agreement, which was entered into to facilitate the Company's participation in the Project, are on normal commercial terms following arm's length negotiation with the Vendor and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors recommend the Shareholders to vote in favour of the resolution to approve the the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Your faithfully,
For and on behalf of
LeRoi Holdings Limited
Chan Chun Hong, Thomas
Managing Director

I. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the published results and the assets and liabilities of the Group as extracted from the relevant annual reports of the Company. The Company's auditors issued modified opinion with emphasis of fundamental uncertainty relating to the going concern basis for preparing the Group's financial statements for the year ended 31 March 2006. There was no qualified opinion in the auditor's reports of the Company for the year ended 31 March 2005 and for the year ended 31 March 2007.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	32,769	78,833	111,031
Cost of sales	<u>(21,707)</u>	<u>(58,577)</u>	<u>(78,866)</u>
Gross profit	11,062	20,256	32,165
Other revenue	115	66	40
Other income	1,712	443	–
Selling and distribution expenses	(9,392)	(12,258)	(14,128)
Administrative expenses	(14,002)	(15,111)	(12,937)
Impairment of goodwill	(1,515)	–	–
Impairment of property, plant and equipment	(701)	(663)	–
Impairment of interests in an associate	(265)	(105)	–
Provision for impairment of trade receivables	(10,405)	(11,328)	(2,677)
Provision for obsolete inventories	<u>(18,770)</u>	<u>(20,740)</u>	<u>(4,822)</u>
Operating loss	(42,161)	(39,440)	(2,359)
Finance costs	(446)	(6)	(12)
Share of (loss)/profit of an associate	<u>(1,962)</u>	<u>68</u>	<u>15</u>
Loss before taxation	(44,569)	(39,378)	(2,356)
Taxation	<u>(6)</u>	<u>(32)</u>	<u>(1,284)</u>
Loss for the year	<u><u>(44,575)</u></u>	<u><u>(39,410)</u></u>	<u><u>(3,640)</u></u>
Loss for the year attributable to:			
– Equity holders of the Company	(43,814)	(39,410)	(3,640)
– Minority interest	<u>(761)</u>	<u>–</u>	<u>–</u>
	<u><u>(44,575)</u></u>	<u><u>(39,410)</u></u>	<u><u>(3,640)</u></u>
Loss per share for loss attributable to equity holders of the Company			
– Basic	<u>(HK5.41 cents)</u>	<u>(HK4.87 cents)</u>	<u>(HK0.45 cent)</u>
– Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET*for the year ended 31 March*

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	258	2,947	4,226
Investment properties	11,720	–	–
Goodwill	5,052	–	–
Interests in an associate	6,487	8,976	9,011
	<u>23,517</u>	<u>11,923</u>	<u>13,237</u>
Current assets			
Inventories	20,517	24,929	40,772
Trade receivables	12,497	37,274	44,600
Prepayments, deposits and other receivables	2,152	856	771
Time deposits	14,280	–	–
Cash and bank balances	7,219	4,606	16,593
	<u>56,665</u>	<u>67,665</u>	<u>102,736</u>
Less: Current liabilities			
Trade payables	3,055	1,808	1,677
Accruals and other payables	4,806	3,183	1,985
Obligations under finance lease			
– due within one year	–	61	102
Tax payable	30,439	29,674	29,045
	<u>38,300</u>	<u>34,726</u>	<u>32,809</u>
Net current assets	<u>18,365</u>	<u>32,939</u>	<u>69,927</u>
Total assets less current liabilities	<u>41,882</u>	<u>44,862</u>	<u>83,164</u>
Less: Non-current liabilities			
Interest-bearing loans from shareholders	36,859	–	–
Convertible notes	2,856	–	–
Obligations under finance lease			
– due after one year	–	–	63
	<u>39,715</u>	<u>–</u>	<u>63</u>
Net assets	<u>2,167</u>	<u>44,862</u>	<u>83,101</u>
Capital and reserves			
Share capital	8,096	8,096	8,096
Reserves	(5,929)	36,766	75,005
Total equity attributable to equity holders of the Company	2,167	44,862	83,101
Minority interest	–	–	–
Total equity	<u>2,167</u>	<u>44,862</u>	<u>83,101</u>



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

AUDITORS' REPORT TO THE SHAREHOLDERS OF LEROI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 18 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning preparation of the financial statements under the going concern basis. The basis may not be appropriate because the Group incurred losses of approximately HK\$39,410,000 and HK\$3,640,000 for the years ended 31 March 2006 and 2005 respectively. Further details relating to this fundamental uncertainty are described in Note 2 to the financial statements. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's loss and cash flows for the year then ended 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, 24 July 2006

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2007

Set out below is the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the Group, and the balance sheet of the Company together with the notes to the financial statements of the Group as extracted from pages 24 to 77 of the annual report of the Company for the year ended 31 March 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

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

CONSOLIDATED BALANCE SHEET*At 31 March 2007*

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

BALANCE SHEET*At 31 March 2007*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

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

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

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

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 March 2007*

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

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

NOTES TO FINANCIAL STATEMENTS*31 March 2007***1. CORPORATE INFORMATION**

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Impact of new and revised HKFRSs

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

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

Impact of new and revised HKFRSs not yet effective

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

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

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

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

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

Basis of preparation

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

Basis of consolidation

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

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

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

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

Business combinations

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

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

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

Subsidiaries

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

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

Associates

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

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

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

Jointly-controlled entities

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

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

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

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

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

Goodwill

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

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

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

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

Negative goodwill

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

Impairment of non-financial assets (other than goodwill)

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

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

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

Investment properties

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

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

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

Property, plant and equipment

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

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

Furniture, fixtures and equipment	20-33 ¹ / ₃ %
Leasehold improvements	Over the lease terms
Motor vehicles	20-33 ¹ / ₃ %
Machineries	20-33 ¹ / ₃ %

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

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

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

Investments and other financial assets

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

Derecognition of financial assets

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

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

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

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

Financial liabilities and equity

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

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

Financial liabilities at fair value through profit or loss

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

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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

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

Financial liabilities at amortised cost

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

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

Convertible loan notes

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

Convertible notes that contain an equity component

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

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

Convertible notes that do not contain an equity component

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

Derecognition of financial liabilities

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions and contingent liabilities

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

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

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

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.

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

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

Trade and other receivables

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

Trade and other payables

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

Revenue recognition

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

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

Employee benefits*Paid leave carried forward*

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

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.

Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Current assets and current liabilities

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

Leases

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

Foreign currencies

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

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

Segment reporting

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

Income tax

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

Impairment of property, plant and equipment

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

Impairment of trade receivables

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

Fair value of financial instruments

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

Estimated impairment of goodwill

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

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

Provision for obsolete inventories

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

Estimated of fair value of investment properties

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

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

- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND ESTIMATES

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

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

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

Cash flow interest rate risk

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

Foreign exchange risk

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

Credit risk

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

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

Liquidity risk

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

Fair value estimation

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

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

5. SEGMENT INFORMATION

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

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

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

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

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

Segment liabilities comprise operating liabilities.

Unallocated assets and liabilities comprise items such as corporate borrowings.

Business segments

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

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

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

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

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

Geographical segments

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

6. **TURNOVER AND OTHER REVENUE**

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

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

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

7. OPERATING LOSS

Operating loss is stated after charging:

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

8. FINANCE COSTS

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

9. DIRECTORS’ REMUNERATION

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

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

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

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

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

Notes:

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

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

10. FIVE HIGHEST PAID EMPLOYEES

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

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowances	452	603
Retirement benefits scheme contributions	<u>21</u>	<u>21</u>
	<u>473</u>	<u>624</u>

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

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

11. TAXATION

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

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group:		
Current – Hong Kong	6	–
Current – Mainland China	<u>–</u>	<u>32</u>
Total tax charge for the year	<u>6</u>	<u>32</u>

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

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

The Group – 2007

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

The Group – 2006

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

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

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

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

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

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

12. LOSS FOR THE YEAR

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

13. DIVIDEND

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

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machineries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 April 2005	7,656	845	850	–	9,351
Additions	974	2,754	–	–	3,728
Disposals	(633)	(82)	–	–	(715)
Exchange realignment	143	14	–	–	157
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2006 and 1 April 2006	8,140	3,531	850	–	12,521
Additions	90	345	–	–	435
Acquisition of subsidiaries (<i>Note 31</i>)	139	25	–	16	180
Disposals	(8)	(13)	–	(2)	(23)
Exchange realignment	417	180	–	–	597
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2007	<u>8,778</u>	<u>4,068</u>	<u>850</u>	<u>14</u>	<u>13,710</u>
Accumulated depreciation and impairment:					
At 1 April 2005	4,660	42	423	–	5,125
Charge for the year	2,517	1,547	283	–	4,347
Impairment loss recognised for the year	–	663	–	–	663
Written back on disposals	(633)	(14)	–	–	(647)
Exchange realignment	86	–	–	–	86
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2006 and 1 April 2006	6,630	2,238	706	–	9,574
Charge for the year	1,083	1,434	144	–	2,661
Impairment loss recognised for the year	487	214	–	–	701
Exchange realignment	361	155	–	–	516
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2007	<u>8,561</u>	<u>4,041</u>	<u>850</u>	<u>–</u>	<u>13,452</u>
Net book value:					
At 31 March 2007	<u>217</u>	<u>27</u>	<u>–</u>	<u>14</u>	<u>258</u>
At 31 March 2006	<u>1,510</u>	<u>1,293</u>	<u>144</u>	<u>–</u>	<u>2,947</u>

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

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

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

16. INVESTMENT PROPERTIES

The Group

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

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

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

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

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

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within one year	522	–
In the second to fifth years inclusive	<u>16</u>	<u>–</u>
	<u><u>538</u></u>	<u><u>–</u></u>

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

17. GOODWILL

The Group

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

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

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

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

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

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

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

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

18. INTERESTS IN AN ASSOCIATE

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

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

Particulars of the Group’s associate are as follows:

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

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

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

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

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

19. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	The Group	
	2007 HK\$’000	2006 HK\$’000
Share of net assets	—	—

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

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

- (1)

a quorum requires over two-third of the total number of directors. Resolution passed in a directors' meeting with attendance less than two-third of the total number of directors of the jointly-controlled entity is invalid.
- (2)

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

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

20. INTERESTS IN SUBSIDIARIES

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

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

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

Particulars of the principal subsidiaries are as follows:

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

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

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

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

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

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

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

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

21. INVENTORIES

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

22. TRADE RECEIVABLES

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

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

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

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

23. CASH AND BANK BALANCES

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

24. TRADE PAYABLES

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

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

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

25.
OBLIGATIONS UNDER FINANCE LEASE

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

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

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

26.
INTEREST-BEARING LOANS FROM SHAREHODLERS

The Group and the Company

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

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

27.
CONVERTIBLE NOTES

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

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

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

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

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

28. SHARE CAPITAL

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

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

Share option scheme

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

29. SHARE OPTION SCHEME

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

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

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

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

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

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

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

30. RESERVES

(a) The Group

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

(b) The Company

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

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

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

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

31. ACQUISITION OF SUBSIDIARIES

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

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

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

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

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

Net assets acquired:

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

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

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

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

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

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

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

32. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

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

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

33. MATERIAL RELATED PARTY TRANSACTIONS

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

- (i) On 23 March 2007, the Group acquired 100% equity interests in Greatest Wealth and Allied Victory at a total consideration of HK\$18,200,000 (inclusive of shareholders' loan in the principal amount of approximately HK\$11,980,000). Greatest Wealth and Allied Victory were the subsidiaries of Wang On Group Limited which held 49% of the shareholding interest in Wai Yuen Tong Medicine Holdings Limited which held 25.32% of the shareholding interests in the Company as at 23 March 2007. For further details, please refer to the Company's circular dated 5 March 2007.
- (ii) In addition, the leasing of retail stalls from Wang On Majorluck Limited or Majorluck Limited, which were the indirect wholly-owned subsidiaries of Wang On Group Limited, to Greatest Wealth for the operation of its sales of fresh pork meat and related produce of HK\$98,000 constitute a connected transaction.
- (iii) During the year, Gain Better Investments Limited ("Gain Better"), a wholly owned subsidiary of Wai Yuen Tong Medicine Holdings Limited and a shareholder of the Company, has undertaken to provide a HK\$35,000,000 loan facility carries interest at a rate of 6.5% with maturity date on 26 January 2010 to the Company. As at 31 March 2007, the Company has obtained HK\$20,000,000 loan from Gain Better (*Note 26*).
- (iv) During the year, Taco Holdings Limited ("Taco"), a shareholder of the Company, has undertaken to provide a HK\$18,750,000 loan facility carries interest at a rate of 6.5% with maturity date on 4 January 2010 to the Company. As at 31 March 2007, the Company has obtained HK\$18,750,000 loan from Taco (*Note 26*).
- (v) During the year, the Company issued 6.5% Convertible notes to Gain Better, a wholly owned subsidiary of Wai Yuen Tong Medicine Holdings Limited and a shareholder of the Company, with a principal amount of HK\$3,000,000 (*Note 27*).

The above transactions constitute connected transactions under Listing Rules.

Key management personnel compensation

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

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

34. CAPITAL COMMITMENT

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

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

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

35. CONTINGENT LIABILITIES

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

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

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

36. SUBSEQUENT EVENTS

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

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

37. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

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

II. INDEBTEDNESS

Borrowings

As at the close of business on 31 August 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK\$39,505,000 which include (i) loan from shareholders with a principal amount of approximately HK\$18,750,000 and HK\$20,000,000 and; (ii) obligation under finance lease of approximately HK\$755,000.

Contingent liabilities

During the year ended 31 March 2007, the Hong Kong Inland Revenue Department (the “IRD”) issued two estimated assessments demanding for tax payment of approximately HK\$4,193,000 and HK\$800,000 to two wholly-owned subsidiaries of the Group for the year of assessment of 2000/01. Both estimated tax assessments were held over unconditionally by the IRD. In the opinion of the directors, no provision is required at this stage for the Group’s exposure, as such, no provision has been made in the financial statements of the Group for the above matters.

Save as disclosed above, as at the close of business on 31 August 2007, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had no other material contingent liabilities outstanding.

Disclaimer

Save as referred to as above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, as at 31 August 2007, any mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments or any guarantees or any material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the approximately exchange rate prevailing at the close of business on 31 August 2007.

Subsequent material changes

Subsequent to 31 August 2007, but prior to the Latest Practicable Date, the Company issued convertible notes in the principal amount of HK\$190 million, none of which had been converted as at the Latest Practicable Date.

Save as disclosed above, the Directors have confirmed that there is no significant change in indebtedness and contingent liabilities of the Enlarged Group from 31 August 2007 and up to the Latest Practicable Date.

III. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that after taking into account the existing banking facilities available and the existing cash and bank balances, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

IV. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited financial information of the Company were made up.

V. FUTURE PLANS AND PROSPECTS

For the apparel fashion business, the Group presently has a total of 62 distribution outlets comprising 50 franchisees, 1 authorized distributor and 11 counters in department stores across 7 provinces and 30 cities. Looking forward, the Directors are still aiming at increasing further the Company's own directly managed retail outlets.

In light of the increasing competition and continuous loss-making of the fashion apparel business of the Group, and the proceeds from the fund raising exercises, the Directors are planning to diversify into new areas of business such as property investment plans in Vietnam.

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

Given the continued influx of foreign investments, Vietnam is in the process of rapid urbanization, and currently the local demand for both residential real estate and offices space in the main population centres and areas of employment is outstripping supply. Accordingly, the Directors are of the view that the future prospects of the Vietnam property market are promising and investment in such projects may offer good financial return.

The Joint Venture Company is to be established for the purpose of developing a property project on the Land Site which is in line with the Company's current investment plan. The Group's participation in the Project will diversify the Group's geographical area of operation into Vietnam, which is beneficial to the long term development of the Company.

Assuming the condition for the completion of the Sale and Purchase Agreement is fulfilled and Rich Fine becomes a wholly owned subsidiary of the Company, the investment of the Group in the Joint Venture Company will be funded by the Group's internal resources. The Joint Venture Company will be accounted for as a subsidiary of the Company.

VI. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following is the management and discussion analysis extracted from the annual reports for the Company for the year ended 31 March 2005, 2006 and 2007.

FINANCIAL REVIEW*Financial year ended 31 March 2007 compared to financial year ended 31 March 2006*

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

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

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

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

Financial year ended 31 March 2006 compared to financial year ended 31 March 2005

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$79 million, representing a decrease of approximately 29.0% as compared to the corresponding period last year. Gross profit was approximately HK\$20 million, representing a decrease of approximately 37.0%. There was also a slight decrease in profit margin from 29.0% to 25.7%.

The Group's loss attributable to shareholders for the year ended 31 March 2006 was approximately HK\$39 million. The Group's loss for the year was due to the decrease in number of franchisees and drop in average sales per franchisee. Moreover, the Group has provide for impairment of trade receivables of approximately HK\$11 million and obsolete inventories of approximately HK\$21 million.

The Company has entered into a Subscription Agreement on 27 January 2006 (announcement in respect of the details of the Subscription Agreement was published on 24 April 2006) pursuant to which the Company had agreed to issue and Wai Yuen Tong Medicine Holdings Limited, the Subscriber, had agreed to subscribe for Convertible Notes to a maximum aggregate consideration of HK\$10,000,000. Long Stop Date for the completion of the Subscription Agreement has further been extended to 31 January 2007.

The Company was advised that on 27 January 2006, the Subscriber and Taco Holdings Limited ("Taco") (controlling shareholder of the Company) has entered into a Share Purchase Agreement pursuant to which the Subscriber had conditionally agreed to purchase from Taco the Company's Shares for a total consideration of HK\$37,500,000. Upon completion of the Share Purchase Agreement, the Subscriber will be interested in approximately 25.32% of the issued capital of the Company. A sum of HK\$18,750,000 in the form of a shareholder's loan would be provided to the Company by Taco upon completion of the Share Purchase Agreement. The shareholder's loan will be used as general working capital and future business development. Long Stop Date for the completion of the Share Purchase Agreement has also extended to 31 August 2006.

Financial year ended 31 March 2005 compared to financial year ended 31 March 2004

For the year ended 31 March 2005, the Group recorded a turnover of approximately HK\$111.0 million, representing a decrease of approximately 35.1% as compared to the corresponding period last year. Gross profit was approximately HK\$32.2 million, representing a decrease of approximately 46.0%. For the summer season of 2004, the Group enhanced the quality of its products by using better quality textile. The increased cost however was not transferred onto the customers hence resulting in a decrease in profit margin from 34.8% to 29.0%. Nevertheless, the management believes customers will notice the improved quality of the LeRoi brand products and will recognise the good value for the money spent, hence boosting growth of the Group in the long run.

The Group suffered a loss attributable to shareholders for the year ended 31 March 2005 of approximately HK\$3.6 million, a decrease of approximately 120.1% as compared to last year. The Group's performance for the year was mainly affected by the increased cost of production and the decrease in number of franchisees.

OPERATION**Operation and Business Review***Financial year ended 31 March 2007*

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

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

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

Financial year ended 31 March 2006

During the year under review, there were 27 franchisees joined in. On the other hand, there were 38 franchisees dropped out. As a result, the total number of franchisees decreased from 69 to 58, across 7 provinces and 29 cities.

The Group continued to launch new collections of trendy and contemporary fashion items. However, feedbacks from franchisees were that the Group’s products received only lukewarm responses from retail customers. As a result, comparatively lesser orders were being placed by franchisees.

Through the Group’s new subsidiary in Shenzhen, 9 counters in department stores in PRC were being established. The Group has been targeting locations that will widen the distribution network in the PRC.

As for the new businesses the Group has been developing, the Group has commenced marketing its female lingerie series in Hong Kong during the first quarter of 2005. While much effort has been put in marketing and various promotion activities, the contribution from this new line of business remain insignificant.

Financial year ended 31 March 2005

During the year under review, certain franchisees deferred their plans in opening new stores or discontinued operation upon their contracts expiring, harming the performance of the Group when compared to the corresponding year. The number of the Company’s franchisees decreased from 92 to 69, across 6 provinces and 27 cities. In view of the decrease, much effort has been and will continue to be put in to attract new franchisees.

The Group continued to adopt the “Cutting clothes but not price” and “Unit price throughout the country” strategies.

And the Group continued to launch new collections of trendy and contemporary fashion items which attracted wide customer support.

In order to facilitate the Group’s business expansion in the PRC, the Group has established a new subsidiary in Shenzhen.

The principal activities of the new subsidiary are the design, production, sales and marketing of fashion apparel.

As for the new businesses the Group has been developing, the Group has commenced marketing its female lingerie series in Hong Kong during the first quarter of 2005.

FUTURE PLANS AND PROSPECTS

Financial year ended 31 March 2007

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

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

Financial year ended 31 March 2006

Looking forward, the Group needs to retain its current distribution network. To this effect, the Group has set up a joint venture company in Shenzhen. The Group holds 60% of the share capital of the joint venture while the remaining 40% is held by a PRC company. The joint venture company will take up the Group’s franchising business as well as operating its own directly managed shops. The Group is expecting this arrangement will enhance the management of our franchising business and help to maintain the current distribution network. With this new arrangement in place, the Group is considering ceasing its operation in Macau since dealings with franchisees and suppliers is being conducted in Shenzhen.

Feedback from franchisees was that some of the Group’s product lines might not have met the taste of its retail customers. The Group will review its product lines and make necessary adjustments to its design strategy.

The female lingerie series has not brought about the expected results during the year under review. Having considered the cost and benefit of using the Group's resources, the Group adjusted its investment strategy in this business by adopting a more conservative approach.

If partially completed the Subscription Agreement that the Company entered into on 27 January 2006 will provide immediate funding HK\$3,000,000 to the Company as general working capital and for future investment or development of the principal businesses of the Group. The completion of the Share Purchase Agreement will provide an additional HK\$18,750,000 shareholder's loan to the Company as general working capital and future business development.

Financial year ended 31 March 2005

Looking forward, the Group will continue its effort to increase the number of franchisees. And for some locations, the Group is also considering open its own directly managed stores. Both of such measures are aimed at improving the over-all performance of the Group.

In addition, the Group intends to place more emphasis on its marketing and promotional functions in order to enhance the LeRoi brand. Subsequent to the financial year under review, the Group has engaged "Baby Q", an upcoming pop group of female singers in the PRC, to act as the LeRoi image girls.

It is expected that with the Shenzhen subsidiary in full operation, this will lessen the degree of reliance of the Group on the two principal subcontractors as the source of supply during the year.

The Group has launched its female lingerie series in the first quarter of 2005. The Group expects that this diversification will bring new income sources and increase the Group's profitability in the long run. The business will be closely monitored to see if it is bringing the expected results.

LIQUIDITY, FINANCIAL RESOURCES AND INVESTMENTS

Financial year ended 31 March 2007

As at 31 March 2007, the Group had net current assets of approximately HK\$18,365,000 (31 March 2006: approximately HK\$32,939,000) and cash and bank deposits of approximately HK\$21,499,000 (31 March 2006: approximately HK\$4,606,000). The Group did not raise any bank borrowing during the year, but obtained shareholders' loan of principal amount of HK\$38,750,000 and issued convertible notes for an aggregate sum of HK\$3,000,000. Its gearing ratio was 5.3% as at 31 March 2007 (31 March 2006: Nil), based on the interest-bearing debts to total assets.

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

The Group has no significant investment held during the financial year.

Financial year ended 31 March 2006

As at 31 March 2006, the Group had net current assets of approximately HK\$32,939,000 (31 March 2005: approximately HK\$69,927,000). As at 31 March 2006, the Group had cash and bank deposits of approximately HK\$4,606,000 (31 March 2005: approximately HK\$16,593,000). The Group did not raise any bank borrowing during the year and its gearing ratio was nil as at 31 March 2006 (31 March 2005: Nil), based on the interest-bearing debts to total assets.

For the year ended 31 March 2006, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed. As at 31 March 2006, the Group was free from any mortgage charge on its assets.

The Group has no significant investment held during the financial year.

Financial year ended 31 March 2005

As at 31 March 2005, the Group had net current assets of HK\$69,927,000 (2004: HK\$71,980,000). As at 31 March 2005, the Group had cash and bank deposits of HK\$16,593,000 (2004: HK\$36,970,000). The Group did not raise any bank borrowing during the year and its gearing ratio was nil as at 31 March 2005 (2004: Nil), based on the interestbearing debts to total assets.

For the year ended 31 March 2005, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed. As at 31 March 2005, the Group was free from any mortgage charge on the Group's assets.

The Group has no significant investment held during the financial year.

ACQUISITION OR DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES*Financial year ended 31 March 2007*

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

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

Financial year ended 31 March 2006

There is no material acquisition or disposal of subsidiaries or associated companies in the course of the financial year.

Financial year ended 31 March 2005

There is no material acquisition or disposal of subsidiaries or associated companies in the course of the financial year.

EMPLOYEES*Financial year ended 31 March 2007*

The employees are remunerated based on their work performance, experiences and the prevailing industry practice. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$4.5 million. The Group operates a Mandatory Provident Fund Scheme for those employees who are eligible to participate. As at 31 March 2007, the Group has a total number of approximately 180 employees, of which approximately 130 are employees from the PRC.

Financial year ended 31 March 2006

As at 31 March 2006, the Group had 108 employees. The employees are remunerated based on their work performance, work and professional experiences and the prevailing industry practice. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$3 million. The Group operates a Mandatory Provident Fund Scheme under the Mandatory Provident Fund Scheme Ordinance for those employees who are eligible to participate.

Financial year ended 31 March 2005

As at 31 March 2005, the Group had 29 employees. The employees are remunerated based on their work performance, work and professional experiences and the prevailing industry practice. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$3.2 million. The Group operates a Mandatory Provident Fund Scheme under the Mandatory Provident Fund Scheme Ordinance for those employees who are eligible to participate.

SHARE OPTION SCHEME*Financial year ended 31 March 2007*

On 8 October 2002, the Company adopted a share option scheme which is in compliance with Chapter 17 of the Listing Rules. As at 31 March 2005, 2006 and 2007, no share options have been granted under the share option scheme.

CHARGES ON GROUP ASSETS

As at the financial year ended 31 March 2005, 2006 and 2007, the Group did not have any charge on group assets.

CONTINGENT LIABILITIES

For the financial year ended 31 March 2007

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

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

For the financial year ended 31 March 2006

The Group did not have any significant contingent liabilities as at 31 March 2006.

Financial year ended 31 March 2005

As at 31 March 2005, the Group did not have any significant contingent liabilities.

Financial Information of Rich Fine

Rich Fine is a company incorporated in Hong Kong on 24 July 2007. Given its short history, Rich Fine has not prepared any audited financial statement since its incorporation. Save for entering into the Heads of the Agreement, Rich Fine Limited has no other business or assets.

Upon completion of the Sale and Purchase Agreement, Rich Fine will become a wholly owned subsidiary of the Group and the Group intends to apply the same accounting policies on Rich Fine as those adopted by the Group. Given the short history of Rich Fine and the fact that, save for entering into the Heads of the Agreement, Rich Fine is a dormant company, the Directors are of the view that the incorporation of an accountants’ report of Rich Fine will not provide any further information to the Shareholders. Accordingly, the Group has not prepared an accountants’ report of Rich Fine for the purpose of incorporating in this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a letter, prepared for the sole purpose, of inclusion in this circular, received from HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants.



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

15 October 2007

The Board of Directors
LeRoi Holdings Limited
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of LeRoi Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) and Rich Fine Limited (“Rich Fine”) (together with the Group hereinafter referred to as the “Enlarged Group”) set out on pages 81 to 89 under the paragraph headed of “Unaudited Pro Forma Financial Information of the Enlarged Group” (the “Unaudited Pro Forma Financial Information”) in Appendix II of the Company’s circular dated 15 October 2007 (the “Circular”) in connection with the proposed very substantial acquisition in relation to investment in a joint venture through the acquisition of the entire issued share capital of Rich Fine (the “Acquisition”). The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Acquisition, which will result in the formation of the Enlarged Group, might have affected the financial information presented, for inclusion as Appendix II to the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 81 of Appendix II to this Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the director of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 March 2007 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 March 2007 or any future period.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

B. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group assuming that the proposed acquisition of the entire issued share capital of Rich Fine (the “Acquisition”) has been completed on 31 March 2007 for the pro forma consolidated balance sheet and on 1 April 2006 for the pro forma consolidated income statement and the pro forma consolidated cash flow statement. It is also assumed that the Joint Venture Company has been formed and the land use rights certificate for the Land Site has been obtained on 31 March 2007. The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Acquisition at a consideration of HK\$1.

The accompanying unaudited pro forma financial information of the Enlarged Group is based on certain assumptions, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the actual financial position and financial results of the Enlarged Group’s operations that would have been attained had the Acquisition actually occurred on the dates indicated herein. Further, the accompany unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group’s future financial position or results of operations.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

(I) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming that the Acquisition has been completed on 31 March 2007. The unaudited pro forma consolidated balance sheet is based on the audited consolidated balance sheet of the Group as at 31 March 2007 and the unaudited balance sheet of Rich Fine as at 30 September 2007, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group after completion of the Acquisition has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group after completion of the Acquisition as at the date to which it is made up to or any future date.

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group as at 31 March 2007 HK\$'000	Rich Fine as at 30 September 2007 HK\$'000	Pro forma adjustments					The Enlarged Group HK\$'000
			Note (1) HK\$'000	Note (2) HK\$'000	Note (3) HK\$'000	Note (4) HK\$'000	Note (5) HK\$'000	
Non-current assets								
Property, plant and equipment	258	–						258
Investment properties	11,720	–						11,720
Goodwill	5,052	–	6					5,058
Investment in a joint venture company	–	–		204,600		51,200		255,800
Interests in an associate	6,487	–						6,487
	<u>23,517</u>	<u>–</u>						<u>279,323</u>
Current assets								
Inventories	20,517	–						20,517
Trade receivables	12,497	–						12,497
Prepayments, deposits and other receivables	2,152	–			51,200	(51,200)		2,152
Time deposits	14,280	–						14,280
Cash and bank balances	7,219	–		(204,600)	(51,200)		248,581	–
	<u>56,665</u>	<u>–</u>						<u>49,446</u>
Total assets	<u><u>80,182</u></u>	<u><u>–</u></u>						<u><u>328,769</u></u>
Capital and reserves attributable to the Company's equity holders								
Share capital	8,096	–						8,096
Reserves	(5,929)	(6)	6					(5,929)
	2,167	(6)						2,167
Minority interest	–	–						–
	<u>2,167</u>	<u>(6)</u>						<u>2,167</u>
Non-current liabilities								
Interest-bearing loans from shareholders	36,859	–						36,859
Convertible notes	2,856	–						2,856
	<u>39,715</u>	<u>–</u>						<u>39,715</u>

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

OF THE ENLARGED GROUP

	The Group	Rich Fine as at 30	Pro forma adjustments					The
	as at 31	September						Enlarged
	March 2007	2007	Note (1)	Note (2)	Note (3)	Note (4)	Note (5)	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities								
Shortfall of cash and cash equivalents	–	–					248,581	248,581
Trade payables	3,055	–						3,055
Accruals and other payables	4,806	6						4,812
Tax payable	30,439	–						30,439
	38,300	6						286,887
Total equity and liabilities	80,182	–						328,769
Net current assets/ (liabilities)	18,365	(6)						(237,441)
Total assets less current liabilities	41,882	(6)						41,882

(II) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 April 2006. The unaudited pro forma consolidated income statement is based on the audited consolidated income statement of the Group for the year ended 31 March 2007 and the unaudited income statement of Rich Fine for the period ended 30 September 2007, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

As the unaudited pro forma consolidated income statement of the Enlarged Group after completion of the Acquisition has been prepared from illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group after completion of the Acquisition for the year ended to which it is made up to or for any future period.

	The Group For the year ended 31 March 2007 HK\$'000	Rich Fine For the period from 24 July 2007 (date of incorporation) to 30 September 2007 HK\$'000	The Enlarged Group HK\$'000
Turnover	32,769	–	32,769
Cost of sales	(21,707)	–	(21,707)
Gross profit	11,062	–	11,062
Other revenue	115	–	115
Other income	1,712	–	1,712
Selling and distribution expenses	(9,392)	–	(9,392)
Administrative expenses	(14,002)	(6)	(14,008)
Impairment of goodwill	(1,515)	–	(1,515)
Impairment of property, plant and equipment	(701)	–	(701)
Impairment of interests in an associate	(265)	–	(265)
Provision for impairment of trade receivables	(10,405)	–	(10,405)
Provision for obsolete inventories	(18,770)	–	(18,770)
Operating loss	(42,161)	(6)	(42,167)
Finance costs	(446)	–	(446)
Share of loss of an associate	(1,962)	–	(1,962)
Loss before taxation	(44,569)	(6)	(44,575)
Taxation	(6)	–	(6)
Loss for the year	<u>(44,575)</u>	<u>(6)</u>	<u>(44,581)</u>
Loss for the year attributable to:			
Equity holders of the Company	(43,814)	(6)	(43,820)
Minority interest	<u>(761)</u>	–	<u>(761)</u>
	<u>(44,575)</u>	<u>(6)</u>	<u>(44,581)</u>

(III) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 April 2006. The unaudited pro forma consolidated cash flow statement is based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2007 and the unaudited cash flow statement of Rich Fine for the period ended 30 September 2007, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group after completion of the Acquisition has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group after completion of the Acquisition for the year ended to which it is made up to or for any future period.

		Rich Fine For the period from 24 July 2007 (date of incorporation) to 30 September 2007	Pro forma adjustments			The Enlarged Group
	The Group For the year ended 31 March 2007 HK\$'000	HK\$'000	Note (2) HK\$'000	Note (3) HK\$'000	Note (4) HK\$'000	HK\$'000
Cash flows from operating activities						
Loss before taxation	(44,569)	(6)				(44,575)
Adjustments for:						
Depreciation	2,661	–				2,661
Loss on disposal of property, plant and equipment	23	–				23
Share of loss of an associate	1,962	–				1,962
Interest income	(103)	–				(103)
Fair value gain in respect of investment properties	(75)	–				(75)
Finance costs	446	–				446
Negative goodwill	(26)	–				(26)
Reversal of provision for impairment of trade receivables	(41)	–				(41)
Reversal of provision for obsolete inventories	(693)	–				(693)
Provision for impairment of trade receivables	10,405	–				10,405
Impairment of interests in an associate	265	–				265
Provision for obsolete inventories	18,770	–				18,770
Provision for amount due from a minority shareholder	390	–				390
Impairment of property, plant and equipment	701	–				701
Impairment of goodwill	1,515	–				1,515
Exchange difference	(972)	–				(972)

	Rich Fine For the period from 24 July 2007 (date of incorporation) to 30 September 2007		Pro forma adjustments			The Enlarged Group
	The Group For the year ended 31 March 2007 HK\$'000	2007 HK\$'000	Note (2) HK\$'000	Note (3) HK\$'000	Note (4) HK\$'000	HK\$'000
Operating loss before working capital changes	(9,341)	(6)				(9,347)
Increase in inventories	(10,749)	–				(10,749)
Decrease in trade receivables	12,517	–				12,517
Increase in prepayments, deposits and other receivables	(304)	–		(51,200)	51,200	(304)
Increase in trade payables	603	–				603
Increase in accruals and other payables	1,170	6				1,176
Cash used in operations	(6,104)	–				(6,104)
Interest paid	(1)	–				(1)
Net cash outflow from operating activities	(6,105)	–				(6,105)
Cash flows from investing activities						
Interest received	103	–				103
Purchase of property, plant and equipment	(435)	–				(435)
Purchase of investment properties	(1,105)	–				(1,105)
Acquisition of subsidiaries	(17,089)	–				(17,089)
Capital contribution to a joint venture company	–	–	(204,600)		(51,200)	(255,800)
Repayment of loan advanced to an associate	262	–				262
Net cash outflow from investing activities	(18,264)	–				(274,064)
Cash flows from financing activities						
Capital element of finance lease rental payments	(61)	–				(61)
Proceeds from issue of convertible notes	3,000	–				3,000
Interest-bearing loans from shareholders	38,750	–				38,750
Dividend paid to a subsidiary's ex-shareholders	(633)	–				(633)

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

OF THE ENLARGED GROUP

		Rich Fine For the period from 24 July 2007 (date of incorporation)	Pro forma adjustments			The Enlarged Group
	The Group For the year ended 31 March 2007 HK\$'000	to 30 September 2007 HK\$'000	Note (2) HK\$'000	Note (3) HK\$'000	Note (4) HK\$'000	Group HK\$'000
Net cash inflow from financing activities	41,056	–				41,056
Net increase/(decrease) in cash and cash equivalents	16,687	–				(239,113)
Cash and cash equivalents at the beginning of the year	4,606	–				4,606
Effects of exchange rate changes on the balance of cash held in foreign currencies	206	–				206
Cash and cash equivalents at the end of the year	21,499	–				(234,301)
Analysis of the balances of cash and cash equivalents						
Cash and bank balances	7,219	–				(248,581)
Time deposits	14,280	–				14,280
	21,499	–				(234,301)

(IV) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. On 13 September 2007, Wisdom Gate, a wholly owned subsidiary of the Group, entered into the Sale and Purchase Agreement pursuant to which Wisdom Gate conditionally agreed to purchase the entire issued share capital of Rich Fine from the Vendor at the nominal consideration of HK\$1.

Goodwill of approximately HK\$6,000 arised from the acquisition of Rich Fine. The goodwill is derived from the consideration of HK\$1, minus the net liabilities of Rich Fine of approximately HK\$6,000. For the purpose of preparing the unaudited pro forma financial information, the consideration for the Acquisition and the carrying values of the net liabilities of Rich Fine are taken to be their fair values. No impairment of goodwill is required.

2. On 4 September 2007, Rich Fine entered into the legally binding Heads of Agreement with Nguyen Hung pursuant to which Rich Fine and Nguyen Hung will set up the Joint Venture Company for the purpose of undertaking a property development project on the Land Site located in Vietnam.

Pursuant to the Heads of Agreement, the Charter Capital of the Joint Venture Company shall be approximately US\$32,800,000 (equivalent to approximately HK\$255,800,000). The Charter Capital will be contributed by Rich Fine and Nguyen Hung in the following manner:

- (a) Nguyen Hung will contribute 20% of the Charter Capital of approximately US\$6,600,000 (equivalent to approximately HK\$51,200,000) in cash. Nguyen Hung will pay for such amount by utilising the proceeds from the Loan. Nguyen Hung's interest in the Joint Venture Company shall in no event exceed 20%.
- (b) Rich Fine will contribute 80% of the Charter Capital of approximately US\$26,200,000 (equivalent to approximately HK\$204,600,000) in cash.

Upon completion of the Sale and Purchase Agreement, Rich Fine will become a wholly-owned subsidiary of the Company and all of the rights and obligations under the Heads of Agreement will become the rights and obligations of the Group.

The adjustment of cash and bank balances in the pro forma consolidated balance sheet represented HK\$204,600,000 cash paid for contribution to the Charter Capital of the Joint Venture Company as described in Note 2(b) above.

In the pro forma consolidated cash flow statement, the contribution to the Charter Capital of the Joint Venture Company as described in Note 2(b) above will be satisfied by cash. The cash outflow of approximately HK\$204,600,000 was therefore recognised in the pro forma consolidated cash flow statement.

3. Pursuant to the Heads of Agreement entered between Rich Fine and Nguyen Hung on 4 September 2007, Rich Fine and Nguyen Hung will enter into the Loan Agreement which Rich Fine will advance an aggregate amount of approximately US\$6,600,000 (equivalent to approximately HK\$51,200,000).

The adjustment of prepayments, deposits and other receivables in the pro forma consolidated balance sheet represented HK\$51,200,000 loan advanced to Nguyen Hung under the Loan Agreement. The directors consider that the loan advanced to Nguyen Hung approximates to its fair value.

In the pro forma consolidated cash flow statement, the loan advanced to Nguyen Hung will be satisfied in cash. The cash outflow of approximately HK\$51,200,000 was therefore recognised in the pro forma consolidated cash flow statement.

4. Upon the Joint Venture Company obtaining the land use rights certificate for the Land Site, Rich Fine will waive the Loan as consideration for Nguyen Hung's contribution in procuring the land use right certificate for the Land Site to be vested with the Joint Venture Company.

The adjustment of prepayments, deposits and other receivables in the pro forma consolidated balance sheet represented the waiver of the loan advanced to Nguyen Hung as consideration for Nguyen Hung's contribution in the Joint Venture Company.

5. The adjustment included in the pro forma consolidated balance sheet represented the reclassification of the shortfall of cash and cash equivalents to current liabilities.
6. After making the above adjustments, the pro forma consolidated balance sheet showed a shortfall of cash and cash equivalents of approximately HK\$248,581,000. The shortfall will be settled by the internal resources of the Group such as net proceeds from Top-up placing of approximately HK\$37,800,000 and the estimated aggregate net proceeds from the Tranche I New Issue Placing, the Subscription and the Tranche II New Issue Placing of approximately HK\$1,039,500,000, as announced by the Company on 7 August 2007, to ensure that the Group has sufficient working capital to proceed with the Acquisition and the Heads of Agreement.

The following is the text of a letter dated 15th October 2007 received by the Company from CB Richard Ellis, an independent firm of registered professional surveyors, prepared for the purpose of incorporation in this circular:

CBRE

CB RICHARD ELLIS

世邦魏理仕

34/F Central Plaza,
18 Harbour Road,
Wanchai,
Hong Kong

15th October 2007

The Directors

LeRoi Holdings Limited

5/F Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon

Dear Sirs,

In accordance with the recent instruction from LeRoi Holdings Limited (the “Company”) for us to carry out a valuation of the property interested in Vietnam, we confirm that we have made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31st August 2007 (the “date of valuation”).

Our valuation is our opinion of Market Value which is defined to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Unless otherwise stated, our valuation is prepared in accordance with the “First Edition of The HKIS Valuation Standards on Properties” published by the Hong Kong Institute of Surveyors (“HKIS”). We have also complied with all requirements contained in Paragraph 46 of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to increase the values of the property interests.

In valuing the property, we have valued the property interest by making reference to comparable sales evidences as available in the market.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the property was free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided with certain legal document relating to such property interests. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which might not appear on the copies handed to us.

We have relied to a considerable extent on information given by you, in particular in respect of matters such as planning approval, statutory notices, easements, development scheme, site and floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

We have inspected the property to such extent as for the purpose of this valuation. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Harry C. W. Chan *MHKIS MRICS RPS(GP)*
Senior Director
Valuation & Advisory Services

Note: Mr. Harry Chan is a Registered Professional Surveyor (General Practice), a member of the Hong Kong Institute of Surveyors and a member of Royal Institution of Chartered Surveyors. He has over 15 years valuation experience in Hong Kong and the Asia region.

VALUATION CERTIFICATE

Group I – Property interests in Vietnam for future development

				Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy		
1. A Parcel of Land, Huu Thanh Commue, Duc Hoa District, Long An Province, Vietnam.	<p>The property comprises a parcel of land having a site area of about 586ha (5,860,000 square metres) and is classified as uncultivated and agriculture land. According to the information given by the Company, the subject land is planning to have a proposed development comprising a 36-hole golf course, 3,600 high-end villas, residential apartment, retail shops, club house, resettlement houses, school and hospital etc.</p> <p>As advised by the instructing party, the gross floor area of the proposed development is about 3,235,200 square metres (34,823,692 square feet).</p> <p>The proposed development is currently in planning stage.</p>	The property is currently partly uncultivated and partly occupied by local farmers as agricultural land.		USD35,000,000

Notes:

1. We have not been provided with any title certificate of the property as the property has not yet granted by the government.
2. We have been provided with a Cadastral Map stating the location of the site and the site area of approximately 586ha at Huu Thanh Commune, Duc Hoa District, Long An Province.
3. We have been provided with copies of an application letter No. 08/CV-2007 dated 6 August 2007 from Nguyen Hung Company to the People’s Committee of Long An Province, the Department of Natural Resource & Environment and the Department of Construction of Long An Province regarding the investment of golf course & residential project and the change of land use from agricultural to residential use at the subject property.
4. We have been provided a report on legal status of the subject land dated August 2007, which states that the subject site is classified as uncultivated and agricultural and, of which, part of agricultural land has been currently using by farmers.
5. According to the Report, the investor, e.g. Nguyen Hung Trading and Service Limited or the joint venture company, has to make compensation to the existing users (in accordance with the compensation tariff approved by the competent authority of Long An). It shall be responsible for completion of related legal procedures as well as financial obligations. It also has to pay land use fees and other charges payable to the competent authorities in respect of the subject site and compensation, clearance and relocation costs payable to all existing land users and other occupants residing in the subject property.
6. We have been provided with a proposed development scheme for a golf course and residential development with total gross floor area of 3,235,200 square metres. Our valuation has reflected the development potential of the property.
7. We have prepared our valuation on the following assumptions:
 - i. All compensation costs, costs of resettlement, land grant premium, infrastructure costs and expense otherwise payable in respect of the grant of the property have been fully settled;
 - ii. We have valued the property based on the development potential of the property for the usage of residential and commercial purpose;
 - iii. The Property is freely transferable either on strata title basis or as a whole to both local and foreign purchasers upon completion of the proposed development;
 - iv. The proposed development scheme as provided by the instructing party would be the best development scheme which complies with the current town planning requirements, rules and regulations and will be approved by the relevant government authorities; and
 - v. All the relevant authorities approvals are secured during the design and construction stages of this project and all the necessary Completion Certificates and Approvals are secured either prior to the completion of the project or immediately thereafter.

CBRE

CB RICHARD ELLIS

世邦魏理仕

34/F Central Plaza,
18 Harbour Road,
Wanchai,
Hong Kong

15th October 2007

The Directors

LeRoi Holdings Limited

5/F Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Dear Sirs,

In accordance with your instruction for us to carry out a valuation of the property interests held by LeRoi Holdings Limited (“the Company”) and its subsidiaries (hereinafter together known as the “Group”) in Hong Kong. We confirm that we have made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the individual property interests as at 31st August 2007 (the “date of valuation”).

Our valuation is our opinion of Market Value which is defined to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Unless otherwise stated, our valuation is prepared in accordance with the “First Edition of The HKIS Valuation Standards on Properties” published by the Hong Kong Institute of Surveyors (“HKIS”). We have also complied with all requirements contained in Paragraph 46 of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to increase the values of the property interests.

We have applied the definition of Market Value to each property interest independently. We have therefore ignored the potential effect of selling the portfolio at one time.

In valuing the property interests which is held by the Group in Hong Kong for investment, we have valued the property interests by making reference to comparable sales evidences as available in the market.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the properties were free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

We have caused search to be made at the Land Registry, however, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which might not appear on the copies handed to us.

We have relied to a considerable extent on information given by you, in particular in respect of matters such as statutory notices, easements, tenancies, site and floor areas, floor plans and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are based on our measurements taken from plans and therefore are only approximations.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

All monetary amounts are stated in Hong Kong Dollars (HK\$) unless otherwise stated.

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Harry C. W. Chan *MHKIS MRICS RPS(GP)*
Senior Director
Valuation & Advisory Services

Note: Mr. Harry Chan is a Registered Professional Surveyor (General Practice), a member of the Hong Kong Institute of Surveyors and a member of Royal Institution of Chartered Surveyors. He has over 15 years valuation experience in Hong Kong and the Asia region.

SUMMARY OF VALUES			
Property		Interests attributable to the Group	Capital value in its existing state as at 31st August 2007
Group I – Property interest held by the Group in Hong Kong for investment			
1.	7th Floor, 33 Wong Chuk Street, Sham Shui Po, Kowloon.	100%	HK\$940,000
2.	7th Floor (Flat C on 7th Floor), Dun Tak Mansion, 127 Portland Street, Mong Kok, Kowloon.	100%	HK\$2,310,000
3.	9th Floor, Yu Chau Building, 10 Shek Kip Mei Street, Sham Shui Po, Kowloon.	100%	HK\$1,420,000
4.	8th Floor, 253 Tai Nan Street, Sham Shui Po, Kowloon.	100%	HK\$900,000
5.	7th Floor, Kwok Chai Building, 137 Sai Yee Street, Mong Kok, Kowloon.	100%	HK\$2,590,000
6.	8th Floor, Kwok Chai Building, 137 Sai Yee Street, Mong Kok, Kowloon.	100%	HK\$2,600,000
7.	2nd Floor, 675 Shanghai Street, Mong Kok, Kowloon.	100%	HK\$1,280,000
8.	6th Floor, No. 258 Apliu Street, Sham Shui Po, Kowloon.	100%	HK\$830,000
9.	Front Portion of 4th Floor, Hing Yip Apartments, No. 60 Castle Peak Road, Sham Shui Po, Kowloon.	100%	HK\$1,500,000
10.	5th Floor, No. 524 Jaffe Road, Causeway Bay, Hong Kong.	100%	HK\$2,060,000
		Grand Total:	HK\$16,430,000

VALUATION CERTIFICATE

Group I – Property interests held by the Group in Hong Kong for investment

			Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy	
1. 7th Floor, No. 33 Wong Chuk Street, Sham Shui Po, Kowloon. 1/8 equal undivided share of and in the Remaining Portion of New Kowloon Inland Lot No. 2309.	<p>“33 Wong Chuk Street” together with “23A – 23E Fuk Wing Street” is an 8-storey tenement building with ground floor devoted to retail/commercial purposes. The building was completed in 1959.</p> <p>The property comprises a residential unit on the 7th Floor of the building with a saleable area of approximately 58.62 sq.m. (631 sq.ft.).</p> <p>The property is held under Government Lease for a term of 75 years renewable for 24 years commencing from 1st July 1898 and has been extended by Ordinance until 30th June 2047. The annual Government rent is 3% of the rateable value.</p>	<p>The property is subject to four tenancies each for a term of one year with the latest expiring date in January 2008 having a total monthly rental income of HK\$9,000 inclusive of management fees, rates and Government rent.</p>	HK\$940,000

Notes:

1. The registered owner of the property is Allied Victory Investment Limited.
2. The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB304686 dated 21st October 1959.
3. The property lies within a zone designated as “Residential (Group A)” uses under the current Cheung Sha Wan Outline Zoning Plan No. S/K5/30.
4. Allied Victory Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

			Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy	
2. 7th Floor (Flat C on 7th Floor), Dun Tak Mansion, No. 127 Portland Street, Mong Kok, Kowloon. 1/40 equal undivided share of and in Kowloon Inland Lots Nos. 8121 and 8160.	<p>Dun Tak Mansion is a 10-storey composite commercial/residential building completed in 1963.</p> <p>The property comprises a residential unit on the 7th Floor of the building with a saleable area of approximately 85.56 sq.m. (921 sq.ft.).</p> <p>The property is held under Conditions of Re-grant No. 6852 and No. 6970 for a term of 150 years commencing from 25th December 1887. The annual Government rent for the property is in total HK\$144.</p>	<p>The property is subject to six tenancies each for a term of one year with the latest expiring date in July 2008 having a total monthly rental income of HK\$20,900 inclusive of management fees, rates and Government rent.</p>	HK\$2,310,000

Notes:

- The registered owner of the property is Allied Victory Investment Limited.
- The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB418488 dated 23rd October 1963.
- The property lies within a zone designated as “Residential (Group A)” uses under the current Mong Kok Outline Zoning Plan No. S/K3/24.
- Allied Victory Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

				Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy		
3. 9th Floor, Yu Chau Building, No. 10 Shek Kip Mei Street, Sham Shui Po, Kowloon. 4/156 equal undivided shares of and in the Remaining Portion of New Kowloon Inland Lot No. 1152 and the Remaining Portion of New Kowloon Inland No. 1283.	Yu Chau Building is a 13-storey composite commercial/residential building completed in 1963. The property comprises a residential unit on the 9th floor of the building with a saleable area of approximately 55.93 sq.m. (602 sq.ft.). The property is held under Government Lease for a term of 75 years renewable for 24 years commencing from 1st July 1898 and has been extended by Ordinance until 30th June 2047. The annual Government rent is 3% of the rateable value.	The property is subject to four tenancies for terms of one to two years with the latest expiring date in December 2008 yielding a total monthly rental income of HK\$11,100 inclusive of management fees, rates and Government rent.	HK\$1,420,000	

Notes:

- The registered owner of the property is Allied Victory Investment Limited.
- The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB424625 dated 20th January 1964.
- The property lies within a zone designated as “Residential (Group A)” uses under the current Cheung Sha Wan Outline Zoning Plan No. S/K5/30.
- Allied Victory Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

		Capital value in the existing state as at 31st August 2007	
Property	Description and tenure	Details of occupancy	
4. 8th Floor, No. 253 Tai Nan Street, Sham Shui Po, Kowloon. 1/9 equal undivided shares of and in the Remaining Portion of New Kowloon Inland Lot No. 19.	<p>“253 Tai Nan Street” together with “255 Tai Nan Street” is a 9-storey tenement building with ground floor devoted to retail/commercial purposes. The building was completed in 1960.</p> <p>The property comprises a residential unit on the 8th floor of the building with a saleable area of approximately 55.09 sq.m. (593 sq.ft.).</p> <p>The property is held under Government Lease for a term of 75 years renewable for 24 years commencing from 1st July 1898 and has been extended by Ordinance until 30th June 2047. The annual Government rent is 3% of the rateable value.</p>	The property is subject to four tenancies for terms of two years with the latest expiring date in January 2009 having a total monthly rental income of HK\$8,200 inclusive of management fees, rates and Government rent.	HK\$900,000

Notes:

- The registered owner of the property is Allied Victory Investment Limited.
- The property is subject to a Deed of Mutual Covenants registered in the Land Registry under Memorial No. UB334512 dated 17th February 1961.
- The property lies within a zone designated as “Residential (Group A)” uses under the current Cheung Sha Wan Outline Zoning Plan No. S/K5/30.
- Allied Victory Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

		Capital value in the existing state as at 31st August 2007	
Property	Description and tenure	Details of occupancy	
5. 7th Floor, Kwok Chai Building, No. 137 Sai Yee Street, Mong Kok, Kowloon. 1/57 equal undivided shares of and in the Remaining Portion of Section A of Kowloon Inland Lot No. 2147 and the Remaining Portion of Kowloon Inland Lot No. 2147.	<p>Kwok Chai Building is an 18-storey (including a Mezzanine Floor) composite commercial/residential building completed in 1965.</p> <p>The property comprises a residential unit on the 7th floor of the building with a saleable area of approximately 91.04 sq.m. (980 sq.ft.).</p> <p>The property is held under Government Lease for a term of 75 years renewable 75 years commencing on 22nd October 1928. The annual Government rent for the property is in total HK\$3,058.</p>	The property is subject to five tenancies for terms of one year with the latest expiring date in July 2008 having a total monthly rental income of HK\$21,800 inclusive of management fees, rates and Government rent.	HK\$2,590,000

Notes:

- The registered owner of the property is Allied Victory Investment Limited.
- The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB487401 dated 12th May 1965.
- The property lies within a zone designated as “Residential (Group A)” uses under the current Mong Kok Outline Zoning Plan No. S/K3/24.
- Allied Victory Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

			Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy	
6. 8th Floor, Kwok Chai Building, No. 137 Sai Yee Street, Mong Kok, Kowloon. 1/57 equal undivided shares of and in the Remaining Portion of Section A of Kowloon Inland Lot No. 2147 and the Remaining Portion of Kowloon Inland Lot No. 2147.	<p>Kwok Chai Building is an 18-storey (including a Mezzanine Floor) composite commercial/residential building completed in 1965.</p> <p>The property comprises a residential unit on the 8th floor of the building with a saleable area of approximately 91.04 sq.m. (980 sq.ft.).</p> <p>The property is held under Government Lease for a term of 75 years renewable 75 years commencing on 22nd October 1928. The annual Government rent for the property is in total HK\$3,058.</p>	<p>The property is subject to a tenancy for term of two years expiring on 31st May 2008 at a monthly rental of HK\$9,000 inclusive of management fees, rates and Government rent.</p>	HK\$2,600,000

Notes:

1. The registered owner of the property is Allied Victory Investment Limited.
2. The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB487401 dated 12th May 1965.
3. The property lies within a zone designated as “Residential (Group A)” uses under the current Mong Kok Outline Zoning Plan No. S/K3/24.
4. Allied Victory Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

			Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy	
7. 2nd Floor, No. 675 Shanghai Street, Mong Kok, Kowloon. 1/10 equal undivided shares of and in the Kowloon Inland Lot No. 10830.	<p>“675 Shanghai Street” together with “675A and 677 Shanghai Street” is a 10-storey (excluding cockloft) composite commercial/residential building completed in 1966.</p> <p>The property comprises a residential unit on the 2nd floor of the building with a saleable area of approximately 52.03 sq.m. (560 sq.ft.).</p> <p>The property is held under Government Lease commencing on 28th June 1985 to 30th June 2047. The annual Government rent is 3% of the rateable value.</p>	The property is subject to three tenancies for terms of one year with the latest expiring date in September 2008 having a total monthly rental income of HK\$11,400 inclusive of management fees, rates and Government rent.	HK\$1,280,000

Notes:

1. The registered owner of the property is Goldbo Investment Limited.
2. The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB3976641 dated 13th January 1989.
3. The property is subject to an Order No. UBZ/U19-13/0019/04 under Section 24(1) of the Buildings Ordinance by the Building Authority (Re: for common part(s)) under Memorial No. 06081000390433 dated 4th July 2006.
4. The property lies within a zone designated as “Residential (Group A)” uses under the current Mong Kok Outline Zoning Plan No. S/K3/24.
5. Goldbo Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

			Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy	
8. 6th Floor, No. 258 Apliu Street, Sham Shui Po, Kowloon. 1/30 equal undivided shares of and in the Remaining portion of New Kowloon Inland Lot No. 1306 and New Kowloon Inland Lot No. 393.	<p>“258 Apliu Street” together with “68 and 70 Yen Chow Street” is a 9-storey (excluding mezzanine floor) tenement building with ground floor devoted to retail/ commercial purposes. The building was completed in 1966.</p> <p>The property comprises a residential unit on the 6th floor of the building with a saleable area of approximately 40.0 sq.m. (431 sq.ft.).</p> <p>The property is held under Government Lease for a term of 75 years renewable for 24 years commencing from 1st July 1898 and has been extended by Ordinance until 30th June 2047. The annual Government rent is 3% of the rateable value.</p>	<p>The property is subject to three tenancies for terms of mainly one year with the latest expiring date in August 2008 having a total monthly rental income of HK\$8,000 inclusive of management fees, rates and Government rent.</p>	HK\$830,000

Notes:

1. The registered owner of the property is Goldbo Investment Limited.
2. The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB607720 dated 27th November 1967.
3. The property lies within a zone designated as “Residential (Group A)” uses under the current Cheung Sha Wan Outline Zoning Plan No. S/K5/30.
4. Goldbo Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

			Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy	
9. Front portion of 4th Floor, Hing Yip Apartment, No. 60 Castle Peak Road, Sham Shui Po, Kowloon. 1/144 equal undivided shares of and in the Kowloon Inland Lot No. 2702.	<p>Hing Yip Apartment is a 12-storey (excluding mezzanine floor) composite commercial/residential building completed in 1962.</p> <p>The property comprises a residential unit on the 4th floor of the building with a saleable area of approximately 56.3 sq.m. (606 sq.ft.).</p> <p>The property is held under Government Lease for a term of 75 years renewable for 24 years commencing from 1st July 1898 and has been extended by Ordinance until 30th June 2047. The annual Government rent is 3% of the rateable value.</p>	<p>The property is partially vacant and partially tenanted. The tenanted portions are subjected to three tenancies for terms of mainly one year with the latest expiring date in September 2008 having a total monthly rental income of HK\$10,700 inclusive of management fees, rates and Government rent.</p>	HK\$1,500,000

Notes:

1. The registered owner of the property is Goldbo Investment Limited.
2. The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB359776 dated 17th January 1962.
3. The property lies within a zone designated as “Residential (Group A)” uses under the current Cheung Sha Wan Outline Zoning Plan No. S/K5/30.
4. Goldbo Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

VALUATION CERTIFICATE

				Capital value in the existing state as at 31st August 2007
Property	Description and tenure	Details of occupancy		
10. 5th Floor, No. 524 Jaffe Road, Causeway Bay, Hong Kong.	<p>“524 Jaffe Road” together with “522 Jaffe Road” is a 9-storey tenement block with ground floor devoted to retail/commercial purposes. The building was completed in 1961.</p> <p>The property comprises a residential unit on the 5th floor of the building with a saleable area of approximately 67.4 sq.m. (725 sq.ft.).</p> <p>The property is held under Government Lease for a term of 999 years commencing from 25th June 1843. The determined rent is HK\$12 p.a.</p>	The property is currently vacant	HK\$2,060,000	
1/18 equal undivided shares of and in the Sub-section 3 of Section F of Marine Lot No. 52 and the Extension thereto.				

Notes:

- The registered owner of the property is Goldbo Investment Limited.
- The property is subject to a Deed of Mutual Covenant registered in the Land Registry under Memorial No. UB412190 dated 16th September 1963.
- The property lies within a zone designated as “Commercial/Residential” uses under the current Causeway Bay Outline Zoning Plan No. S/H6/14.
- Goldbo Investment Limited is a wholly-owned subsidiary of LeRoi Holdings Limited.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) The Directors' interests and short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date:

- (1) none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered in the register kept by the Company under Section 352 of the SFO; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules;
- (2) none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and
- (3) none of the Directors held any directorship or employment in a company which had an interest or short position in the Shares and 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.

(b) **Persons who have an interest or short position in the Shares or underlying Shares which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of the Company**

(a) As at the Latest Practicable Date, so far as is known to the Directors after making such enquiries as the Directors consider necessary, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries:

(i) **Interests in Shares and underlying Shares**

Name	Number of the Shares or underlying Shares (Long position)	Approximate percentage of the Company's existing issued share capital (Note 1) (%)
Gain Better Investments Limited ("Gain Better") (Note 2)	3,888,333,333	50.55
WYT (Note 2)	3,888,333,333	50.55

Notes:

- The percentages shown are based on the 7,691,500,000 Shares in issue as at the Latest Practicable Date.
- Gain Better is a wholly-owned subsidiary of WYT. 1,583,333,333 underlying Shares out of 3,888,333,333 Shares are issuable upon conversion of the convertible bonds with an aggregate principal amount of HK\$190,000,000 held by Gain Better.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company knew of any other person (not being a director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

3. **MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 March 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interests in any business which competes or may compete, either directly or indirectly, with the businesses of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

7. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors, any proposed Director or expert named in this circular had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2007, being the date to which the latest published audited consolidated financial statements of the Company were made up.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (other than contracts entered into in the ordinary course of business) which were entered into by the members of the Enlarged Group in the two years immediately preceding the date of this circular:

- (a) The Sale and Purchase Agreement and the Heads of Agreement.
- (b) A provisional sale and purchase agreement dated 10 September 2007 entered into between Goldbo Investment Limited (“**Goldbo**”) and an independent third party to purchase the property located at Flat A, 11/F., May Ming Mansion, 312 Nathan Road, Kowloon at a consideration of HK\$2,580,000.

- (c) A provisional sale and purchase agreement dated 9 August 2007 entered into between Goldbo and an independent third party to purchase the property located at Flat A, 8/F., East South Building, 479-481 Hennessy Road, Causeway Bay, Hong Kong at a consideration of HK\$3,420,000.
- (d) A top-up placing agreement dated on 6 August 2007 entered into between the Company, Gain Better and Kingston Securities Limited (the “**Placing Agent**”), in respect of the top-up placing of 161,900,000 Shares.
- (e) A new issue placing agreement dated on 6 August 2007 entered into between the Company and the Placing Agent in respect of the placing of 4,570,000,000 new Shares, on a fully underwritten basis, and a placing of up to 2,000,000,000 new Shares, on a best efforts basis, by the Placing Agent.
- (f) A subscription agreement dated on 6 August 2007 entered into between the Company and Gain Better in relation to the subscription of the convertible bonds with an aggregate principal amount of HK\$190 million to be issued by the Company to Gain Better, and the subscription of 2,100,000,000 new Shares by Gain Better.
- (g) A provisional sale and purchase agreement dated 3 August 2007 entered into between Goldbo and an independent third party to purchase the property located at Flat B, 5/F., Po Tai Building, 180 Nam Cheong Street, Kowloon at a consideration of HK\$1,120,000.
- (h) A provisional sale and purchase agreement dated 27 July 2007 entered into between Goldbo and an independent third party to purchase the property located at 5/F., Block F, 89 Chung On Street, Tsuen Wan, New Territories at a consideration of HK\$1,250,000.
- (i) A provisional sale and purchase agreement dated 16 May 2007 entered into between Goldbo and an independent third party to purchase the property located at 5/F., 522-524 Jaffe Road, Wanchai, Hong Kong at a consideration of HK\$1,950,000.
- (j) A provisional sale and purchase agreement dated 8 May 2007 entered into between Goldbo and an independent third party to purchase the property located at Front Portion, 4/F., 60 Castle Peak Road, Kowloon at a consideration of HK\$1,370,000.
- (k) A provisional sale and purchase agreement dated 17 March 2007 entered into between Goldbo and an independent third party to purchase the property located at 6/F., 258 Ap Liu Street, Kowloon at a consideration of HK\$730,000.
- (l) A provisional sale and purchase agreement dated 31 January 2007 entered into between Goldbo and an independent third party to purchase the property located at 2/F., 675 Shanghai Street, Kowloon at a consideration of HK\$1,080,000.

- (m) A share purchase agreement dated 26 January 2007 entered into between All Access Limited, an indirect wholly-owned subsidiary of the Company, and Wang On Commercial Management Limited, an indirect wholly-owned subsidiary of WOG, to purchase the total issued share capital of Greatest Wealth Limited and a related shareholder's loan at a total consideration of HK\$8.0 million.
- (n) A share purchase agreement dated 26 January 2007 entered into between Garwell Investments Limited, an indirect wholly-owned subsidiary of the Company, and Suitbest Investments Limited, an indirect wholly-owned subsidiary of WOG, to purchase the total issued share capital of Allied Victory Investment Limited ("**Allied Victory**") and a related shareholder's loan at a total consideration of up to HK\$10.2 million.
- (o) A loan agreement dated 26 January 2007 entered into between the Company and Gain Better under which Gain Better will grant to the Company an unsecured loan facility of up to HK\$35,000,000 at an interest rate of 6.5% per annum.
- (p) A provisional sale and purchase agreement dated 19 January 2007 entered into between Allied Victory and an independent third party to purchase the property located at 7/F., Kwok Chai Building, 137 Sai Yee Street, Mong Kok, Kowloon, Hong Kong at a consideration of HK\$1,990,000.
- (q) A provisional sale and purchase agreement dated 19 January 2007 entered into between Allied Victory and an independent third party to purchase the property located at 8/F., Kwok Chai Building, 137 Sai Yee Street, Mong Kok, Kowloon, Hong Kong at a consideration of HK\$2,660,000.
- (r) A provisional sale and purchase agreement dated 8 December 2006 entered into between Allied Victory and an independent third party to purchase the property located at 8/F., 253 Tai Nan Street, Sham Shui Po, Kowloon, Hong Kong at a consideration of HK\$830,000.
- (s) A provisional sale and purchase agreement dated 28 October 2006 entered into between Allied Victory and an independent third party to purchase the property located at 9/F., Yu Chau Building, 10 Shek Kip Mei Street, Sham Shui Po, Kowloon, Hong Kong at a consideration of HK\$1,270,000.
- (t) A provisional sale and purchase agreement dated 27 October 2006 entered into between Allied Victory and an independent third party to purchase the property located at 7C, Dun Tak Mansion, 127 Portland Street, Mong Kok, Kowloon, Hong Kong at a consideration of HK\$1,800,000.
- (u) A provisional sale and purchase agreement dated 6 October 2006 entered into between Allied Victory and an independent third party to purchase the property located at 7/F., No. 33 Wong Chuk Street, Sham Shui Po, Kowloon, Hong Kong at a consideration of HK\$690,000.

- (v) A subscription agreement dated 27 January 2006 entered into between the Company and Gain Better in respect of the issuing of convertible notes in a principal amount of HK\$10,000,000 to Gain Better at a conversion price of HK\$0.20.

9. EXPERTS' QUALIFICATION AND CONSENTS

Name	Qualification
HLB Hodgson Impey Cheng (“ HLB ”)	Chartered Accountants, Certified Public Accountants
CB Richard Ellis Limited (“ CBRE ”)	Professional surveyors and independent valuer

Each of HLB and CBRE has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letter, report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of HLB and CBRE was not interested beneficially or otherwise in any Shares or shares in any of the Company's subsidiaries or associated companies and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or shares in any of the Company's subsidiaries or associated companies nor did it have any interest, either direct or indirect, in any assets which have been, since 31 March 2007 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The company secretary and qualified accountant of the Company is Mr. Ng Cheuk Fan, Keith, a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) Having made reasonable enquiries and to the best knowledge of the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholders, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis.

- (e) Having made reasonable enquiries and to the best knowledge of the Directors, as at the Latest Practicable Date, there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM.
- (f) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text, in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, from the date of this circular, up to and including the date of the EGM:

- (a) the memorandum of and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2007;
- (c) the material contracts referred to in the paragraph of this Appendix headed "Material contracts";
- (d) the letter of unaudited pro forma statement of the Group set out in Appendix II to this circular;
- (e) a copy of the circular dated 5 March 2007 relating to major and connected transactions in respect of the acquisition of pork business and properties from connected person and possible continuing connected transactions;
- (f) a copy of the circular dated 27 August 2007 relating to (i) placing of new Shares; (ii) connected transaction in relation to issue of new Shares and convertible bonds to a wholly-owned subsidiary of WYT; and (iii) increase in authorized share capital of the Company;
- (g) the valuation report issued by CBRE; and
- (h) the letter in relation to the Unaudited Pro Forma Financial Information of the Enlarged Group from HLB.

NOTICE OF THE EGM



LEROI HOLDINGS LIMITED

利來控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 221)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of LeRoi Holdings Limited (the “**Company**”) will be held at 41/F., Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on Thursday, 1 November 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

“**THAT** the agreement dated 13 September 2007 between Mr. Tang Ching Ho (“**Mr. Tang**”) and Wisdom Gate Investments Limited (“**Wisdom Gate**”), a wholly-owned subsidiary of the Company, pursuant to which Mr. Tang has agreed to sell, and Wisdom Gate has agreed to purchase, the entire issued share capital of Rich Fine Limited (a copy of which marked “A” has been produced at this meeting and initialled by the chairman of this meeting for the purpose of identification and further details of which are provided in the circular of the Company dated 15 October 2007 in which notice of this meeting is set out) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorized to do all such acts and things as they may consider necessary or expedient in connection therewith.”

By Order of the Board
LeRoi Holdings Limited
Ng Cheuk Fan, Keith
Director

Hong Kong, 15 October, 2007

Registered office:

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

Head office and principal place of business:

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

NOTICE OF THE EGM

Notes:

1. A shareholder of the Company entitled to attend and vote at the above meeting may appoint a proxy or more than one proxy (if he/she is the holder of two or more shares) to attend and vote on his/her behalf. A form of proxy for use at the above meeting is enclosed herewith. A proxy need not be a shareholder of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or an attorney duly authorized in writing. If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer, attorney or other person authorized to sign the proxy.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
4. Completion and deposit of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.