THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Dealings in the existing Shares and the Offer Shares may be settled through CCASS established and operated by HKSCC. You should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of these documents.

The Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents. Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

GRANDTOP INTERNATIONAL HOLDINGS LIMITED
泓 鋒 國 際 控 股 有 限 公 司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

OPEN OFFER OF 192,000,000 OFFER SHARES AT A PRICE OF HK$0.20 PER OFFER SHARE ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE

Financial adviser to Grandtop International Holdings Limited

KINGSTON CORPORATE FINANCE LIMITED

Underwriter to the Open Offer

KINGSTON SECURITIES LIMITED

The latest time for acceptance of and payment for the Offer Shares is 4:00 p.m. on Monday, 4 June 2007. The procedures for acceptance and transfer of the Offer Shares is set out on pages 19 to 20 of this Prospectus.

Shareholders should note that, if, prior to the Latest Time for Termination:

(1) in the reasonable opinion of Kingston Securities, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreements) of a political, military, financial, economic, or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Kingston Securities is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Kingston Securities will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than seven consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Kingston Securities shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreements.

Kingston Securities shall be entitled by notice in writing to rescind the Underwriting Agreements if prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreements comes to the knowledge of the Underwriter; or

(2) any Specified Event comes to knowledge of the Underwriter, then and, in such case, Kingston Securities may, by notice in writing given to the Company prior to the Latest time for Termination, rescinds the Underwriting Agreements and thereupon the obligations of all parties under the Underwriting Agreements shall terminate forthwith and no party shall have any claim against any other party in respect of any matter or thing arising out of and in connection with the Underwriting Agreements (save for any antecedent breaches thereof) and the Open Offer shall not proceed.

Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreements having become unconditional and the Underwriter not having terminated the Underwriting Agreements in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed "Termination of the Underwriting Agreements" in the section headed "Underwriting Arrangements"). Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Thursday, 10 May 2007 and that dealing in Shares will take place while the conditions to which the Underwriting Agreements are subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject to are fulfilled (which is expected to be on Thursday, 7 June 2007), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

18 May 2007

* *For identification purpose only*

CONTENTS

	2007
Last day of dealings in Shares on a cum-entitlement basis	Wednesday, 9 May
First day of dealings in Shares on an ex-entitlement basis	Thursday, 10 May
Latest time for lodging transfers of Shares in order to be qualified for the Open Offer	4:00 p.m. on Friday, 11 May
Register of member of the Company closes	Monday, 14 May to Wednesday, 16 May (both dates inclusive)
Record Date	Wednesday, 16 May
Register of members of the Company reopens	Thursday, 17 May
Despatch of the Prospectus Documents	on or before Friday, 18 May
Latest time for acceptance of and payment for Offer Shares	4:00 p.m on Monday, 4 June
Latest time for the Open Offer to become unconditional	4:00 p.m. on Thursday, 7 June
Announcement of the results of the Open Offer	Monday, 11 June
Despatch of share certificates for Offer Shares and refund cheques (if any)	on or before Tuesday, 12 June
Dealings in full-paid Offer Shares commence	Thursday, 14 June

Dates stated in this Prospectus for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

Shareholders should note that completion of the Underwriting Agreements is conditional and may or may not proceed. Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Shares.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OPEN OFFER

The latest time for acceptance of and payment for the Open Offer will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

  (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 4 June 2007. Instead the latest time of acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same business day;

  (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 4 June 2007. Instead the latest time of acceptance of and payment for the Open Offer will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Open Offer does not take place on Monday, 4 June 2007, the dates mentioned in the section headed "Expected timetable" in this Prospectus may be affected. A press announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENTS

If, prior to the Latest Time for Termination:

(1) in the reasonable opinion of Kingston Securities, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreements) of a political, military, financial, economic, or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Kingston Securities is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Kingston Securities will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than seven consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

TERMINATION OF THE UNDERWRITING AGREEMENTS

Kingston Securities shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreements.

Kingston Securities shall be entitled by notice in writing to rescind the Underwriting Agreements if prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreements comes to the knowledge of the Underwriter; or

(2) any Specified Event comes to knowledge of the Underwriter,

then and, in such case, Kingston Securities may, by notice in writing given to the Company prior to the Latest time for Termination, rescinds the Underwriting Agreements and thereupon the obligations of all parties under the Underwriting Agreements shall terminate forthwith and no party shall have any claim against any other party in respect of any matter or thing arising out of and in connection with the Underwriting Agreements (save for any antecedent breaches thereof) and the Open Offer shall not proceed.

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

"Announcement"	the announcement of the Company dated 23 April 2007 in relation to the Open Offer
"Application Form(s)"	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	board of Directors
"business day"	a day, other than Saturday, on which banks in Hong Kong are open for business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Grandtop International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	director(s) of the Company
"Excluded Shareholder(s)"	those Overseas Shareholders to whom the Board, after obtaining relevant advice, considers it necessary or expedient not to offer to them Offer Shares
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Irrevocable Undertakings"	the irrevocable undertakings given by Premier Rise and Ms. Leung, under which Premier Rise and Ms. Leung have irrevocably undertaken to subscribe for their full assured entitlements pursuant to the Open Offer

"Kingston Securities"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO
"Latest Practicable Date"	16 May 2007, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein
"Last Trading Date"	11 April 2007, being the last trading date of the Shares prior to the release of the Announcement
"Latest Lodging Date"	being 4:00 p.m. on Friday, 11 May 2007 as the latest time for lodging transfers of Shares in order to qualify for the Open Offer
"Latest Time for Acceptance"	4:00 p.m. on Monday, 4 June 2007 or such later time or date as may be agreed between the Company and Kingston Securities, being the latest time for acceptance of and payment for the Offer Shares
"Latest Time for Termination"	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Kingston Securities, being the latest time to terminate the Underwriting Agreements
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Ms. Leung"	Ms. Leung Choi Fan, spouse of Mr. Hui Ho Luek who wholly and beneficially owns Premier Rise
"Offer Share(s)"	192,000,000 new Shares to be offered to the Qualifying Shareholders for subscription on the basis of one Offer Share for every two existing Shares held on the Record Date and payable in full on acceptance pursuant to the Open Offer
"Open Offer"	the issue of the Offer Shares by way of Open Offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein

"Overseas Shareholders"	the Shareholders with registered address and correspondence address on the register of members of the Company outside Hong Kong at the close of business on the Record Date
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Premier Rise"	Premier Rise Investments Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder as at the Latest Practicable Date, and wholly and beneficially owned by Mr. Hui Ho Luek
"Prospectus"	this prospectus in connection with the Open Offer
"Prospectus Documents"	the Prospectus and the Application Form
"Qualifying Shareholders"	the Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
"Record Date"	Wednesday, 16 May 2007, being the date by reference to which entitlements to the Open Offer have been determined
"Registrar"	Tengis Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, the Company's Hong Kong branch share registrar
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

"Specified Event"	an event occurring or matter arising on or after the date of the Underwriting Agreements and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreements would have rendered any of the warranties contained in the Underwriting Agreements untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.20 per Offer Share
"Underwriter"	Kingston Securities
"Underwriting Agreements"	the underwriting agreement dated 23 April 2007 entered into among the Company, Premier Rise and Kingston Securities in relation to the Open Offer and the supplemental agreement dated 9 May 2007 entered into among the Company, Premier Rise, Ms. Leung and Kingston Securities
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

GRANDTOP INTERNATIONAL HOLDINGS LIMITED
泓 鋒 國 際 控 股 有 限 公 司 *

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2309)

Executive Directors:
Ms. Bessie Siu
Mr. Lee Yiu Tung

Non-Executive Director:
Mr. Fu Wing Kwok, Ewing

Independent Non-Executive Directors:
Mr. Chang Kin Man
Mr. Ip Wing Lun
Mr. Zhou Han Ping

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

Principal place of business in Hong Kong:
No. 1, 1st Floor, Pei Ho Building
115-117 Fuk Wa Street
Sham Shui Po, Kowloon
Hong Kong

18 May 2007

To the Qualifying Shareholders

Dear Sir or Madam,

OPEN OFFER OF 192,000,000 OFFER SHARES AT A PRICE OF HK$0.20 PER OFFER SHARE ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE

INTRODUCTION

It was announced on 23 April 2007 that the Board proposed to raise approximately HK$38.4 million, before expenses, by issuing 192,000,000 Offer Shares at a price of HK$0.20 per Offer Share by way of Open Offer, on the basis of one Offer Share for every two Shares held on the Record Date and payable in full on acceptance.

* *For identification purpose only*

This Prospectus sets out further information on the Open Offer, including information on dealing in and transfers and acceptances of the Offer Shares and financial and other information in respect of the Group.

OPEN OFFER

Issue statistics

Basis of the Open Offer	:	One Offer Share for every two existing Shares held on the Record Date
Subscription Price	:	HK$0.20 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	384,000,000 Shares
Number of Offer Shares	:	192,000,000 Offer Shares
Number of Offer Shares undertaken to be taken up by Premier Rise and Ms. Leung	:	Pursuant to the Irrevocable Undertakings, Premier Rise and Ms. Leung have irrevocablly undertaken to subscribe for an aggregate of 38,325,000 Offer Shares (as to 32,000,000 Offer Shares by Premier Rise and 6,325,000 Offer Shares by Ms. Leung), being the full assured entitlements to them or their nominee(s) pursuant to the Open Offer.
Number of Offer Shares underwritten by the Underwriter	:	Pursuant to the Underwriting Agreements, the Underwriter has conditionally agreed to underwrite in aggregate of 153,675,000 Shares (excluding the Offer Shares undertaken to be taken up by Premier Rise and Ms. Leung pursuant to the Irrevocable Undertakings) on a fully underwritten basis.
Number of Shares in issue upon completion of the Open Offer	:	576,000,000 Shares

The Offer Shares to be allotted and issued pursuant to the terms of the Open Offer represent 50% of the entire issued share capital of the Company as at the Latest Practicable Date and approximately 33.33% of the entire issued share capital of the Company as enlarged by the issue of the Offer Shares.

As at the Latest Practicable Date, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares and, save for the Offer Shares, has no intention to issue any new Share or any of the above securities before the Latest Time for Acceptance.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

(i) be registered on the register of members of the Company; and

(ii) not being Excluded Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on Friday, 11 May 2007. The address of the Registrar is:

Tengis Limited
26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange and the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements. In the view that each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development and thereby entitling to subscribe for his/her/its respective Offer Shares without discrimination at the same price at a discount to the Share price as at the Last Trading Date in proportion to his/her/its existing shareholding of the Company, the Directors are of the opinion that the Company will not attempt to incur additional effort and extra administration work to consider the allocation basis to accommodate any Offer Shares not validly applied for by the Shareholders in the event that the Open Offer is under-subscribed.

Rights of the Excluded Shareholders

Based on the register of members of the Company on the Record Date, there are no Overseas Shareholders. As such, there are no Excluded Shareholders.

Closure of register of members

The register of members of the Company has been closed from Monday, 14 May 2007 to Wednesday, 16 May 2007, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares has been registered during this period.

Subscription Price

The Subscription Price for the Offer Shares is HK$0.20 per Offer Share, payable in full on application. The Subscription Price represents:

(i) a discount of approximately 28.57% to the closing price of HK$0.28 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 30.31% to the average closing prices of HK$0.287 per Share for the last five consecutive trading days up to and including the Last Trading Date;

(iii) a discount of approximately 30.56% to the average closing prices of HK$0.288 per Share for the last ten consecutive trading days up to and including the Last Trading Date; and

(iv) a discount of approximately 20.95% to the theoretical ex-entitlement price of approximately HK$0.253 per Share based on the closing price of HK$0.28 as quoted on the Stock Exchange on the Last Trading Date.

(v) a discount of approximately 43.66% to the closing price of HK$0.355 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter after having taken into account, among other things, (i) the recent price performance of the Shares and (ii) the potential investment opportunity to the Shareholders. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Fraction of Offer Shares

The Company will not allot fractions of the Offer Shares.

Certificates of the Offer Shares

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before Tuesday, 12 June 2007 to those entitled thereto by ordinary post at their own risk.

Requirements under the Cayman Islands laws

According to the Cayman Islands legal adviser of the Company, under the Cayman Islands laws and in accordance with the articles of association of the Company, (i) the Prospectus is not required to be registered in the Cayman Islands; (ii) there is no requirement for the Company to obtain any permission relating to the Open Offer from any authority or regulatory body in the Cayman Islands; and (iii) there is no requirement for the Open Offer to be approved by the Shareholders.

Application for listing and dealings in the Offer Shares

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will commence on Thursday, 14 June and will be subject to the payment of stamp duty in Hong Kong.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Irrevocable Undertakings

Premier Rise, which is wholly owned by Mr. Hui Ho Luek, a substantial Shareholder, and Ms. Leung are interested in an aggregate of 76,650,000 Shares (in which Premier Rise is interested in 64,000,000 Shares and Ms. Leung is interested in 12,650,000 Shares) as at the Latest Practicable Date, representing approximately 19.96% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Premier Rise and Ms. Leung have irrevocably undertaken to subscribe for an aggregate of 38,325,000 Offer Shares (as to 32,000,000 Offer Shares by Premier Rise and 6,325,000 Offer Shares by Ms. Leung), being the full assured entitlements to them or their nominee(s) pursuant to the Open Offer.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in the business of (i) apparel sourcing, (ii) apparel trading, and (iii) sale support services. The Group has no turnover derived from apparel sourcing services but is keen to establish its own apparel sourcing business if the opportunity exists.

The estimated net proceeds from the Open Offer will be approximately HK$37.0 million (net of expenses of approximately HK$1.4 million). The Board intends to apply the net proceeds for future investments, to expand the Company's business and as general working capital before any suitable investment opportunities are identified and invested accordingly. The allocation of the net proceeds has not yet been determined. As at the Latest Practicable Date, no such investment has been identified by the Group.

The estimated expense in relation to the Open Offer of approximately HK$1.4 million will be borne by the Company. The Board has considered various fund raising methods apart from the Open Offer, including banking finance and issue of convertible securities, and concludes that the Open Offer is in the best interests of the Company and its Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

UNDERWRITING ARRANGEMENTS

Underwriting Agreements

Dates	:	23 April 2007 and 9 May 2007
Underwriter	:	Kingston Securities
Number of Offer Shares underwritten	:	Pursuant to the Underwriting Agreements, the Underwriter has conditionally agreed to underwrite in an aggregate of 153,675,000 Offer Shares on a fully underwritten basis
Commission	:	2% of the aggregate Subscription Price in respect of the number of Offer Shares agreed to be underwritten by the Underwriter

Pursuant to the Underwriting Agreements, the Underwriter has conditionally agreed to underwrite all the Offer Shares not being taken up (excluding the Offer Shares undertaken to be taken up by Premier Rise and Ms. Leung pursuant to the Irrevocable Undertakings). Accordingly, the Open Offer is fully underwritten. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Kingston Securities and its respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

The 2% commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter based on normal commercial terms and with reference to the market rates.

Termination of the Underwriting Agreements

If, prior to the Latest Time for Termination:

(1) in the reasonable opinion of Kingston Securities, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreements) of a political, military, financial, economic, or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Kingston Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Kingston Securities is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Kingston Securities will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than seven consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Kingston Securities shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreements.

Kingston Securities shall be entitled by notice in writing to rescind the Underwriting Agreements if prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreements comes to the knowledge of the Underwriter; or

(2) any Specified Event comes to knowledge of the Underwriter,

then and, in such case, Kingston Securities may, by notice in writing given to the Company prior to the Latest time for Termination, rescinds the Underwriting Agreements and thereupon the obligations of all parties under the Underwriting Agreements shall terminate forthwith and no party shall have any claim against any other party in respect of any matter or thing arising out of and in connection with the Underwriting Agreements (save for any antecedent breaches thereof) and the Open Offer shall not proceed.

Conditions of the Open Offer

The Open Offer is conditional upon:

(1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and Companies Ordinance not later than the despatch of the Prospectus;

(2) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the date of the Prospectus; and

(3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares.

In the event of the said conditions not being fulfilled before the Latest Time for Termination or the respective dates aforesaid (or such other time or date as the Company and Kingston Securities may agree), the Underwriting Agreements shall terminate and all obligations and liabilities of the parties thereunder shall forthwith cease and determine and no party shall have any claim against the others (save for any antecedent breaches thereof).

WARNING OF THE RISK OF DEALING IN THE SHARES

Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreements having become unconditional and the Underwriter not having terminated the Underwriting Agreements in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed "Termination of the Underwriting Agreements" in the section headed "Underwriting Arrangements"). Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Thursday, 10 May 2007 and that dealing in Shares will take place while the conditions to which the Underwriting Agreements are subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject to are fulfilled (which is expected to be on Thursday, 7 June 2007), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after completion of the Open Offer:

	As at the Latest Practicable Date		Immediately after completion of the Open Offer (assuming no Shareholders take up their respective entitlements except for Premier Rise and Ms. Leung's Irrevocable Undertakings)		Immediately after completion of the Open Offer (assuming all Shareholders take up their respective entitlements)	
	Shares	**%**	**Shares**	**%**	**Shares**	**%**
Huge Gain Development Limited *(Note 1)*	96,000,000	25.00%	96,000,000	16.67%	144,000,000	25.00%
Premier Rise *(Note 2)*	64,000,000	16.67%	96,000,000	16.67%	96,000,000	16.67%
Ms. Leung *(Note 3)*	12,650,000	3.29%	18,975,000	3.29%	18,975,000	3.29%
Kingston Securities *(Note 4)*	—	—	153,675,000	26.68%	—	—
Other public Shareholders	211,350,000	55.04%	211,350,000	36.69%	317,025,000	55.04%
Total	384,000,000	100.00%	576,000,000	100.00%	576,000,000	100.00%

Notes:

(1) The entire issued share capital of Huge Gain Development Limited is owned by Nerine Trust Company Limited ("Nerine Trust") which is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. All the units issued by SB Unit Trust were held by the family members of Mr. Siu Ban, co-founder of the Company and its subsidiaries and the discretionary objects. Ms. Bessie Siu and Ms. Tsai Lai Wa, Jenny have indirect interest in Nerine Trust.

(2) Premier Rise, a company incorporated in the British Virgin Islands and wholly owned by Mr. Hui Ho Luek, a substantial Shareholder.

(3) Ms. Leung, spouse of Mr. Hui Ho Luek who wholly and beneficially owns Premier Rise.

(4) To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Kingston Securities and its respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

FUND RAISING ACTIVITIES IN THE LAST TWELVE MONTHS

The following table summaries the fund raising activities of the Company in the last 12 months immediately before the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the date of this Prospectus
6 February 2007	Issue of 64,000,000 new Shares at a price of HK$0.121 per Share	HK$7,744,000	For general working capital of the Group	HK$3,093,000 has been used for general working capital of the Group and the remaining balance has not yet been utilized

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group faced tremendous challenges in the trading of apparel business in Hong Kong and Macau. The rising trend of rising price of supplies, rental and labour costs has continued to rise and the pace of the increment has also accelerated. In particular, the price of rental and labour costs rose steeply due to the recent growth in market. The lowered the sales quantities and gross margins and contribution from the trading business to the Group had dropped remarkably. The Group has formulated plans including enhancing the quality and service standard to cope with the adverse market conditions. The Group has devoted more resources and efforts in cost cutting measures to the trading business. This would enable the Group to maintain steady operations while competing with our rivals.

In the years ahead, the Group will continue to explore business opportunities in order to expand its business.

PROCEDURES FOR ACCEPTANCE

An Application Form is enclosed with this Prospectus which entitles you to accept any number of Offer Shares up to the number of Offer Shares as set out in the Application Form. If you are a Qualifying Shareholder and you wish to accept your assured allotment of Offer Shares to which you are entitled as specified in the enclosed Application Form or you wish to accept any number less than your assured entitlement, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate Subscription Price in respect of such number of Offer Shares you have accepted with the Registrar, Tengis Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by not later than 4:00 p.m. on Monday, 4 June 2007. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Grandtop International Holdings Limited — Open Offer Account" and crossed "Account Payee Only".

It should be noted that unless the Application Form, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Monday, 4 June 2007, that assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Underwriting Agreements are not fulfilled or the Underwriting Agreements are terminated in accordance with their terms and conditions, the subscription monies will be refunded, without interest, by sending a cheque made out to the relevant Shareholder named on the Application Form (or in the case of joint Shareholders, to the first-named Shareholder) and crossed "Account Payee Only", through ordinary post at the risk of the relevant Shareholder(s) to the address specified in the register of members of the Company.

The Application Form contains full information regarding the procedures to be followed if you wish to accept only part of your assured entitlements under the Open Offer.

All cheques or cashier's orders will be presented for payment upon receipt and all interest earned on such moneys (if any) will be retained for the benefit of the Company. Any Application Form in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form is for use only by the person(s) named therein and is not transferable.

Subject to fulfillment of the conditions of the Open Offer as set out under section headed "Underwriting Arrangements", share certificates for the Offer Shares are expected to be despatched on or before Tuesday, 12 June 2007.

No receipt will be issued in respect of any acceptance monies received.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the Offer Shares. It is emphasized that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility of any tax effects or liabilities of holders of the Offer Shares resulting from the purchase, holding, disposal of, or dealing in the Offer Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
By order of the Board
Grandtop International Holdings Limited
Bessie Siu
Executive Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following information has been extracted from the audited consolidated financial statements of the Group for each of the three years ended 31 March 2006. HLB Hodgson Impey Cheng, being the Company's auditors, has issued qualified opinion on the Group's financial statements for the year ended 31 March 2006. Save for the above, the Company's auditors, has not issued any qualified opinion or modified opinion on the Group's financial statements for the three years ended 31 March 2006.

	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK'000*
		(Restated)	
Turnover	48,428	101,974	119,410
Cost of sales	(38,892)	(73,674)	(75,686)
Gross profit	9,536	28,300	43,724
Other revenue	431	380	99
Selling expenses	(2,911)	(4,636)	(7,960)
Administrative expenses	(19,413)	(10,092)	(6,587)
Impairment loss on trade receivables	(4,685)	—	—
Impairment loss on goodwill	(5,524)	—	—
Impairment loss on prepayments, deposits and other receivables	(4,745)	—	—
Impairment loss on available-for-sale financial assets	(33,245)	—	—
(Loss)/profit from operations	(60,556)	13,952	29,276
Finance costs	(149)	(193)	(188)
Gain/(loss) on disposal of a subsidiary	1,098	(2,585)	(72)
(Loss)/profit before taxation	(59,607)	11,174	29,016
Taxation	(20,003)	(1,293)	(781)
(Loss)/profit for the year	(79,610)	9,881	28,235
Attributable to:			
Equity holders of the Company	(79,610)	2,160	23,497
Minority interests	—	7,721	4,738
	(79,610)	9,881	28,235
Dividend	—	—	—
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
Basic	(HK$0.249)	HK$0.007	HK$0.073
Diluted	N/A	N/A	N/A

Set out below are the qualified opinion for preparing the Group's financial statements for the year ended 31 March 2006 issued by the Company's auditors as extracted from the Company's annual report 2006. Save for the qualified opinion referred below, the Company's auditors have not issued any qualified or modified opinion on the Group's financial statements for the three years ended 31 March 2006.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

Auditors' report to the Shareholders of
Grandtop International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 75 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, 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 Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned 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 have considered the adequacy of the disclosure made in note 2 to the financial statements which explains that the circumstances giving rise to the fundamental uncertainties relating to the net loss and net current liability position of the Group and possible obligation arising from tax liabilities (the "Tax Obligations") imposed by the Inlands Revenue Department of the Hong Kong Special Administrative Region (the "HKIRD"). These financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the Tax Obligations on the Group and upon the continuing financial support from the controlling shareholder of the Company. The financial statements do not include any adjustments that if the Group failed to obtain the necessary financial support from its controlling substantial shareholder. We have considered that appropriate disclosures have been made in the financial statements concerning this situation, but the evidence available to us was limited. In the absence of sufficient documentary evidence, we were unable to ascertain as to whether the assumption made by the directors of the Company in preparing the financial statements on a going concern basis, as set out in note 2 to the financial statements, are fair and reasonable. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the going concern basis, which may have a consequential significant effect on the results for the year and its liquidity Annual Report 2006 position as at 31 March 2006. These fundamental uncertainties relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

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.

Qualified Opinion: Disclaimer on View Given by the Financial Statements

Because of the significance of the possible effect of the limitation in the evidence available to us relating to the matter referred to above, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2006 and of its loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the matter referred to above, we have not obtained all the information and explanation that we considered necessary for the purpose of our audit.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong, 26 July 2006

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2006.

The following are the audited consolidated accounts of the Group for the two years ended 31 March 2006 as extracted from the 2006 annual report of the Company.

Consolidated Balance Sheet
At 31 March 2006

	Note	**2006** **HK$'000**	2005 *HK$'000* (Restated)
Non-current assets			
Property, plant and equipment	*9*	12,103	16,479
Leasehold land	*10*	5,757	6,241
Goodwill	*11*	—	5,524
Available-for-sale financial assets	*13*	2,695	35,940
		20,555	64,184
Current assets			
Inventories	*14*	8,951	11,303
Trade receivables	*15*	5,392	8,969
Prepayments, deposits and other receivables	*16*	4,038	10,871
Cash and cash equivalents		2,488	4,246
		20,869	35,389
Total assets		41,424	99,573
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*17*	3,200	3,200
Reserves	*18*	51	79,661
		3,251	82,861
Minority interests		—	2,262
		3,251	85,123
Non-current liabilities			
Interest-bearing bank borrowings, secured	*19*	5,689	5,950
Deferred tax liabilities	*20*	167	167
		5,856	6,117

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Current liabilities			
Interest-bearing bank borrowings, secured	*19*	261	250
Trade and other payables	*21*	3,345	6,909
Amount due to a director	*22*	8,261	—
Tax payables		20,450	1,174
		32,317	8,333
Total equity and liabilities		41,424	99,573
Net current (liabilities)/assets		(11,448)	27,056
Total assets less current liabilities		9,107	91,240

Approved by the Board of Directors on 26 July 2006 and signed on its behalf by:

Bessie Siu	**Fu Wing Kwok, Ewing**
Director	*Director*

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

Balance Sheet
At 31 March 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	9	145	228
Interests in subsidiaries	12	15,274	71,197
		15,419	71,425
Current assets			
Prepayments, deposits and other receivables	16	226	85
Cash and cash equivalents		31	11
		257	96
Total assets		15,676	71,521
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capita	17	3,200	3,200
Reserves	18	731	42,258
		3,931	45,458
Current liabilities			
Trade and other payables	21	469	403
Amount due to a director	22	2,792	—
Amounts due to subsidiaries	12	8,484	25,660
		11,745	26,063
Total equity and liabilities		15,676	71,521
Net current liabilities		(11,488)	(25,967)
Total assets less current liabilities		3,931	45,458

Approved by the Board of Directors on 26 July 2006 and signed on its behalf by:

Bessie Siu
Director

Fu Wing Kwok, Ewing
Director

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

Consolidated Income Statement

For the year ended 31 March 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
Turnover	6	48,428	101,974
Cost of sales		(38,892)	(73,674)
Gross profit		9,536	28,300
Other revenue	23	431	380
Selling expenses		(2,911)	(4,636)
Administrative expenses		(19,413)	(10,092)
Impairment loss on trade receivables	15	(4,685)	—
Impairment loss on goodwill	11	(5,524)	—
Impairment loss on prepayments, deposits and other receivables		(4,745)	—
Impairment loss on available-for-sale financial assets	13	(33,245)	—
(Loss)/profit from operations	24	(60,556)	13,952
Finance costs	26	(149)	(193)
Gain/(loss) on disposal of a subsidiary		1,098	(2,585)
(Loss)/profit before taxation		(59,607)	11,174
Taxation	27	(20,003)	(1,293)
(Loss)/profit for the year		(79,610)	9,881
Attributable to:			
Equity holders of the Company		(79,610)	2,160
Minority interests		—	7,721
		(79,610)	9,881
Dividend	29	—	—
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
Basic	30	(HK$0.249)	HK$0.007
Diluted		N/A	N/A

All of the Group's activities are classified as continuing.

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

Consolidated Statement Of Changes In Equity

At 31 March 2006

	Attributable to the equity holders of the Company						
	Share capital	Contributed surplus	Share premium account	(Accumulated losses)/ retained profits	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004, as previously reported	3,200	(84)	25,146	52,440	80,702	—	80,702
Effect on adoption of HKAS 1	—	—	—	—	—	9,240	9,240
At 1 April 2004, as restated	3,200	(84)	25,146	52,440	80,702	9,240	89,942
Release upon disposal of a subsidiary	—	(1)	—	—	(1)	(14,699)	(14,700)
Net profit for the year	—	—	—	2,160	2,160	7,721	9,881
At 31 March 2005	3,200	(85)	25,146	54,600	82,861	2,262	85,123
Disposal of a subsidiary	—	—	—	—	—	(2,262)	(2,262)
Net loss for the year	—	—	—	(79,610)	(79,610)	—	(79,610)
At 31 March 2006	3,200	(85)	25,146	(25,010)	3,251	—	3,251

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

Consolidated Cash Flow Statement

At 31 March 2006

	Note	**2006**	2005
		HK$'000	*HK$'000*
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(59,607)	13,952
Adjustments for:			
Depreciation	*9*	3,147	1,098
Impairment of property, plant and equipment	*9*	169	—
Provision on obsolete inventories	*14*	6,689	—
Impairment loss on loan receivables		2,000	—
Impairment loss on investment deposits		2,745	—
Impairment of goodwill	*11*	5,524	—
Amortisation of leasehold land	*10*	484	119
Impairment loss on available-for-sale financial assets	*13*	33,245	—
Amortisation of goodwill		—	271
Impairment of provision for trade receivables	*15*	4,685	—
Dividend income received from available-for-sale financial assets	*23*	(191)	(159)
(Gain)/loss on disposal of a subsidiary		(1,098)	2,585
Interest income		(240)	(200)
Finance costs		149	192
Operating cash flows before movements in working capital		(2,299)	17,858
Increase in inventories		(4,337)	(10,759)
Increase in trade receivables		(1,108)	(4,867)
Decrease in prepayments, deposits and other receivables		2,029	1,816
(Decrease)/increase in trade and other payables		(3,060)	3,805
Cash (used in)/generated from operations		(8,775)	7,853
Interest received		240	200
Profits tax paid		(727)	(801)
Net cash (used in)/generated from operating activities		(9,262)	7,252

	Note	2006 HK$'000	2005 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(723)	(4,614)
Loan to third party		—	(2,000)
Dividend income received from available-for-sale financial assets		191	159
Payment to acquire available-for-sale financial assets		—	(4,680)
Cash effect on acquisition of a subsidiary		—	(3,480)
Cash effect on disposal of a subsidiary		174	2,792
Net cash used in investing activities		(358)	(11,823)
FINANCING ACTIVITIES			
Repayment of mortgage loan		(250)	(159)
Advance from a director		8,261	—
Finance costs		(149)	(192)
Net cash generated from/(used in) financing activities		7,862	(351)
Net decrease in cash and cash equivalents		(1,758)	(4,922)
Cash and cash equivalents at beginning of the year		4,246	9,168
Cash and cash equivalents at the end of the year		2,488	4,246

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

Notes To The Financial Statements

At 31 March 2006

1. General

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111, Cayman Islands.

The directors of the Company consider that the ultimate holding Company is Huge Gain Development Limited, which is incorporated in the British Virgin Islands.

The principal place of business in Hong Kong is located at No. 1, 1st Floor, Pei Ho Building, 115-117 Fuk Wa Street, Sham Shui Po, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are engaged in the provision of apparel sourcing services, sales support services and apparel trading.

2. Basis Of Preparation

The consolidated financial statements of Grandtop International Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Int") 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").

The measurement basis used in the preparation of the financial statements is historical cost convention and modified the revaluation of available-for-sale financial assets, which are carried at fair value.

In preparing the financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of the following:

(i) As at 31 March 2006, the Group has net current liabilities of approximately HK$11,448,000. The Group also incurred a net loss from ordinary activities attributable to the equity holders amounted to approximately HK$79,610,000 for the year ended 31 March 2006; and

(ii) Tax liabilities in relation to the estimated assessments issued by the Hong Kong Inland Revenue Department of approximately HK$19,918,000 in respect of non-taxable claim of non-Hong Kong sourced income for the years of assessments of 1998/1999 to 2003/2004. Detail of which has been set out in note 27 to the financial statements.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the Tax Obligations on the Group and the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirement of the Group. The controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. If the going concern basis is not used, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The Adoption of new/revised HKFRSs

From the beginning of the financial year ended 31 March 2006, the Group adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The comparatives figures for the financial year ended 31 March 2005 have been restated as required, in accordance with the relevant requirements. A summary of the new and revised HKFRSs is set out as below:—

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39	Transitional and Initial Recognition of Financial Assets and Financial Liabilities (Amendment)
HKAS-Int 4	Lease — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS-Int 15	Operating Leases — Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new and revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37, HKAS-Int 4 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now shown within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year.

— HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 33, 37, HKAS-Int 4 and 15 had no material effect on the Group's policies. — HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures. The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciation. In prior years, leasehold land was classified under property, plant and equipment at cost less impairment.

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. With effect from 1 April 2005, the Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in share-based payment reserve. The share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill prospective application is required. Until 31 March 2005, positive goodwill was capitalised and amortised on a straight-line basis over its useful economic life of 15 years and was subject to impairment testing when there were indications of impairment.

In accordance with the provisions of HKFRS 3:

— the Group ceased amortisation of goodwill from 1 April 2005;

— accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

— from the year ended 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment;

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

— HKAS 16 — the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

— HKAS 21 — prospective accounting for goodwill and fair value adjustments as part of foreign operations;

— HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

— HKFRS 3 — prospectively after 1 April 2005.

The effect on the adoption of the new accounting policies in consolidated balance sheet and consolidated income statement were summarised as follow:—

Consolidated balance sheet
As at 31 March 2006

	HKAS 17	**HKFRS 3, HKAS 36 and 38**	**HKAS 39**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in property, plant and equipment	(5,757)	—	—	(5,757)
Increase in leasehold land	5,757	—	—	5,757
Decrease in investment in securities	—	—	(35,940)	(35,940)
Increase in available-for-sale financial assets	—	—	2,695	2,695
Decrease in goodwill	—	(5,524)	—	(5,524)
Decrease in trade receivables	—	—	(4,685)	(4,685)
Decrease in prepayments, deposits and other receivables	—	—	(4,745)	(4,745)
	—	(5,524)	(42,675)	(48,199)
Decrease in reserve	—	(5,524)	(42,675)	(48,199)

Consolidated income statement
For the year ended 31 March 2006

	HKAS 17	**HKFRS 3, HKAS 36 and 38**	**HKAS 39**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in depreciation	(484)	—	—	(484)
Increase in amortisation of leasehold land	484	—	—	484
Impairment of goodwill	—	5,524	—	5,524
Impairment loss on available-for-sale financial assets	—	—	33,245	33,245
Impairment loss on trade receivables	—	—	4,685	4,685
Impairment loss on prepayments, deposits and other receivables	—	—	4,745	4,745
Increase in loss attributable to equity holders of the Company	—	5,524	42,675	48,199
Increase in loss per shares (HK$)	—	0.017	0.133	0.150

Consolidated balance sheet
As at 31 March 2005

	HKAS 17	HKFRS 3, HKAS 36 and 38	HKAS 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in property, plant and equipment	(6,241)	—	—	(6,241)
Increase in leasehold land	6,241	—	—	6,241
	—	—	—	—

There was no impact on the reserves from the adoption of HKAS 17 as at 31 March 2005.

Consolidated income statement
For the year ended 31 March 2005

	HKAS 17	**HKFRS 3, HKAS 36 and 38**	**HKAS 39**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in depreciation	(119)	—	—	(119)
Increase in amortisation of leasehold land	119	—	—	119

There was no impact on earnings per share from the adoption of HKAS 17 for the year ended 31 March 2005.

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet as part of equity, separately from interests attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company. These changes in presentation have been applied retrospectively with comparatives figures restated.

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transaction
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC)-Int 4	Determining whether an Arrangement contain a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Report in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded derivatives

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

HKAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated accounts, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated accounts as at 31 March 2006 and 2005.

HKAS 39 (Amendment) The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on 1 April 2006.

HKAS 39 and HKFRS 4 (Amendment) Financial Guarantee Contracts requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Company regards its financial guarantees provided to its subsidiaries as insurance contracts.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 April 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application. A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

3. Summary Of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operation policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received or receivables.

(b) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries, associates and jointly controlled entities at the date of acquisition. In the case of jointly-controlled entities and associates, goodwill is included in the carrying amount rather than as a separate identifiable asset on the consolidated balance sheet.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset. Prior to the adoption of the new HKFRS, goodwill is amortised on a straight-line basis over its estimated useful life of a period up to a maximum of 15 years. Following the adoption of HKFRS 3, goodwill ceased to be amortised from 1 April 2005 in which it will be tested annually for impairment. The goodwill is therefore carried at cost less accumulated impairment losses and any accumulated amortisation brought forward has been eliminated against the cost of goodwill.

On disposal of subsidiaries, jointly-controlled entities and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the date of acquisition is written back and included in the calculation of the gain and loss on disposal.

(c) 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.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the 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 situations 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 the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight-line method, over their estimated useful lives. The principal annual rates are as follows:

Buildings	2.5%
Leasehold improvements	20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(f) Leasehold land

Leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of leasehold land is amortised on a straight-line basis over the unexpired lease terms.

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(h) Investment

Before adoption of new HKFRSs, the Group classified the investment in listed equity securities as investment in securities.

From 1 April 2005 onward, the Group classifies its investments in the following categories depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(m) Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on 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 (ie. 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 profit and loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are significant, and individually or collectively for financial assets that are not individual significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial assets, 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 impairment was recognised, the previous recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognsied in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

(n) Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable hat an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(p) Revenue recognition

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

(i) Revenue derived from the provision of sales support services are recognised when services are performed and upon each shipment made by the Group's Hong Kong garment and fashion manufacturing clients to the US;

(ii) Service income is recognised when services are provided;

(iii) Sales of merchandise are recognised when goods are delivered and title is passed;

(iv) Interest income, is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(v) Dividend income from available-for-sale financial assets are recognised when the shareholder's right to receive payment is established.

(q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

(r) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

(s) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

(t) Employee benefits

(i) Bonuses

The Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

(ii) Retirement benefit obligations

The Group has a defined contribution retirement benefits scheme ("the Scheme") for its qualified employees, which was registered under the Occupational Retirement Scheme Ordinance (Chapter 426 of Laws of Hong Kong) and exempted from registration requirements of Section 5 of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined income statement as they become payable in accordance with rules of the Scheme. The assets of the 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 Scheme except for the Group's employer voluntary contributions, which are refunded to the group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iv) Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards are recognised as an expense in the income statement.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) Related parties transactions

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

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

(b) the party is an associate;

(c) the party is 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 or the employees of the Group, or of any entity that is related party of the Group.

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

4. Financial Risk Management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk), credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(a) Market risk — Foreign exchange risk

The Group operates mainly in both the Macau and Hong Kong and majority of transactions are dominated in Hong Kong dollars and Renminbi. Therefore, the foreign exchange risk of the Group is minimal. In addition, the Group does not have any foreign currency investments which has been hedged by currency borrowings and other hedging investments.

(b) Credit risk

The Group's credit risk is primarily attributable to trade or other receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

(c) Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

(d) Cash flow and fair value interest rate risk

Borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk.

The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

4.2 Fair value estimation

The carrying amounts of the following other investments/financial assets and liabilities approximate their fair value including cash and cash equivalent, trade receivables, prepayment, deposit and other receivables, trade and other payables and amount due to a director.

5. Critical Accounting Estimates And Judgements

Estimates and judgements 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.

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 of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 3(g). The recoverable amounts of cashgenerating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Provision for impairment of 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 bad and doubtful debts 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 provisions are not made could affect our results of operations.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment that 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, and 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.

(d) Net realisable of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience and selling goods of similar nature. It could change significantly as a result of change in market condition. Management will reassess the estimations at the balance sheet date.

6. Turnover

The Group's turnover comprised of the followings:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Apparel sourcing services	4,524	81,984
Apparel trading	43,904	19,990
	48,428	101,974

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

7. Segment Information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different form those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting because this is more relevant to the Group in making operating and financial decisions.

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

Analysis of assets and liabilities by business segments and by geographical segments have not been prepared as most of the group's assets and liabilities were unable to be allocated in view of the nature of the Group's business.

Business segments

The following table provides an analysis of the Group's revenues, results and certain assets, liabilities and expenditure information by business nature:

	Continuing operations								Discontinued operation			
	Apparel sourcing services		Apparel trading		Sales support services		Subtotal		Marketing and compliance monitoring services		Consolidated Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue												
Sales to external customers	4,524	81,984	43,904	19,990	—	—	48,428	101,974	—	—	48,428	101,974
Segment results	(3,252)	8,823	(14,236)	7,734	—	—	(17,488)	16,557	—	(2,985)	(17,488)	13,572
Other revenue											431	380
Net unallocated expenses											(43,499)	—
(Loss)/profit from operations											(60,556)	13,952
Gain/(loss) on disposal of a subsidiary											1,098	(2,585)
Finance costs											(149)	(193)
(Loss)/profit before taxation											(59,607)	11,174
Taxation											(20,003)	(1,293)
(Loss)/profit for the year											(79,610)	9,881
Net (loss)/profit from ordinary activities attributable to the equity holders of the Company											(79,610)	2,160
Minority interests											—	7,721
											(79,610)	9,881
Segment assets	3,654	28,642	25,524	17,030	52	327	29,230	45,999	—	—	29,230	45,999
Unallocated assets											12,194	53,574
Total assets											41,424	99,573

	Continuing operations								Discontinued operation			
	Apparel sourcing services		Apparel trading		Sales support services		Subtotal		Marketing and compliance monitoring services		Consolidated Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Segment liabilities	2,821	5,053	9,317	3,030	—	—	12,138	8,083	—	—	12,138	8,083
Unallocated liabilities											26,035	6,367
Total liabilities											38,173	14,450
Other segment information:												
Capital expenditure	—	1,672	439	2,942	—	—	439	4,614	—	—	439	4,614
Unallocated capital expenditure											284	—
											723	4,614
Depreciation and amortisation	722	320	1,824	453	426	255	2,972	1,028	—	—	2,972	1,028
Unallocated depreciation and amortisation											659	189
											3,631	1,217
Impairment loss on property, plant and equipment	—	—	—	—	169	—	169	—	—	—	169	—
Other non-cash expenses	3,595	320	11,241	453	169	255	15,005	1,028	—	—	15,005	1,028
Unallocated other non-cash expenses											43,514	3,989
											58,519	5,017

Geographical segments

	Segment revenue						Segment results					
	Continuing operations		Discontinued operations		Total		Continuing operations		Discontinued operations		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)	(Restated)		(Restated)	(Restated)		(Restated)		
Hong Kong	13,202	6,106	—	—	13,202	6,106	(4,653)	339	—	—	(4,653)	339
Russia	1,052	31,872	—	—	1,052	31,872	(253)	2,024	—	—	(253)	2,024
South Korea	1,545	29,203	—	—	1,545	29,203	(1,541)	1,625	—	—	(1,541)	1,625
Panama	1,006	8,901	—	—	1,006	8,901	(562)	1,654	—	—	(562)	1,654
USA	1,421	12,008	—	—	1,421	12,008	(1,428)	4,268	—	—	(1,428)	4,268
PRC	8,954	9,532	—	—	8,954	9,532	(1,062)	2,541	—	—	(1,062)	2,541
Macau	21,248	4,352	—	—	21,248	4,352	(7,989)	1,121	—	—	(7,989)	1,121
	48,428	101,974	—	—	48,428	101,974	(17,488)	13,572	—	—	(17,488)	13,572
Unallocated other revenue											431	380
Unallocated corporate expenses											(43,499)	—
(Loss)/profit from operations											(60,556)	13,952
Finance costs											(149)	(193)
Gain/(loss) on disposal of a subsidiary											1,098	(2,585)
(Loss)/profit before taxation											(59,607)	11,174
Taxation											(20,003)	(1,293)
(Loss)/profit for the year											(79,610)	9,881
Net (loss)/profit from ordinary activities attributable to the equity holders of the Company											(79,610)	2,160
Minority interests											—	7,721
(Loss)/profit for the year											(79,610)	9,881
Hong Kong	31,692	91,032	—	—	31,692	91,032	29,995	9,331	—	—	29,995	9,331
Macau	9,732	8,541	—	—	9,732	8,541	8,178	5,119	—	—	8,178	5,119
Total	41,424	99,573	—	—	41,424	99,573	38,173	14,450	—	—	38,173	14,450

8. Discontinued Operation

On 20 October 2004, the Group entered into a sale and purchase agreement to dispose of its entire interest in Dragon City Limited ("Dragon City") at a total consideration of HK$2,800,000. Dragon City was principally engaged in the provision of marketing and compliance monitoring services. Upon disposal of Dragon City, the Group discontinued its marketing and compliance monitoring operation. Loss on disposal of the aforesaid discontinued operation of approximately HK2,585,000 was charged to the income statement. No income tax expenses or credit arose from the disposal.

The turnover, results, cash flow, total assets and total liabilities of the marketing and compliance monitoring operation were as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover	—	—
Selling expenses	—	(2,752)
Administrative expenses	—	(232)
Loss from operations	—	(2,984)
Taxation	—	—
Net loss for the year	—	(2,984)
Total assets	—	13,679
Total liabilities, including amount due to the Group of approximately HK$8,286,000	—	(8,294)
Net assets	—	5,385
Net cash used in operating activities	—	(6)
Net cash used in investing activities	—	(2,984)
Total net cash outflow	—	(2,990)

9. Property, Plant And Equipment

The Group

	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)					(Restated)
At cost:						
At 1 April 2004, as previously reported z	14,130	2,663	1,489	1,059	753	20,094
Effect on adoption of HKAS 17	(7,115)	—	—	—	—	(7,115)
At 1 April 2004, as restated	7,015	2,663	1,489	1,059	753	12,979
Additions	—	3,782	302	530	—	4,614
Acquisition of a subsidiary	—	1,361	457	238	—	2,056
At 31 March 2005 and At 1 April 2005	7,015	7,806	2,248	1,827	753	19,649
Additions	—	383	284	56	—	723
Disposal of a subsidiary	—	(2,043)	(859)	(836)	—	(3,738)
At 31 March 2006	7,015	6,146	1,673	1,047	753	16,634
Accumulated depreciation:						
At 1 April 2004, as previously reported	1,088	82	274	288	735	2,467
Effect on adoption of HKAS 17	(755)	—	—	—	—	(755)
At 1 April 2004, as restated	333	82	274	288	735	1,712
Charge for the year	70	264	410	336	18	1,098
Acquisition of a subsidiary	—	280	35	45	—	360
At 31 March 2005 and At 1 April 2005	403	626	719	669	753	3,170
Charge for the year	175	2,065	522	385	—	3,147
Disposal of a subsidiary	—	(1,192)	(382)	(381)	—	(1.955)
At 31 March 2006	578	1,499	859	673	753	4,362
Impairment:						
At 1 April 2004 and 31 March 2005	—	—	—	—	—	—
Charge for the year	—	—	49	120	—	169
At 31 March 2006	—	—	49	120	—	169
Net book value:						
At 31 March 2006	6,437	4,647	765	254	—	12,103
At 31 March 2005	6,612	7,180	1,529	1,158	—	16,479

As 31 March 2006, the Group's buildings are situated in Hong Kong under long term lease.

As at 31 March 2006, the Group's buildings with carrying amount of HK$4,612,000 (2005: HK$4,650,000) were pledged to secure a mortgage loan granted to the Group (note 19).

	Furniture and fixtures	**Office equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 April 2004	—	—	—
Additions	157	127	284
At 31 March 2005 and at 31 March 2006	157	127	284
Accumulated depreciation:			
At 1 April 2004	—	—	—
Charge for the year	31	25	56
At 31 March 2005 and at 1 April 2005	31	25	56
Charge for the year	52	31	83
At 31 March 2006	83	56	139
Net book value:			
At 31 March 2006	74	71	145
At 31 March 2005	126	102	228

10. Leasehold Land

The Group

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Cost:		
At 1 April 2005/2004 as previously reported	—	—
Effect on adoption of HKAS 17	7,115	7,115
At 1 April 2005/2004, as restated and at 31 March 2006/2005	7,115	7,115
Accumulated amortisation:		
At 1 April 2005/2004, as previously reported	—	—
Effect on adoption of HKAS 17	874	755
At 1 April 2005/2004, as restated	874	755
Charge for the year	484	119
As at 31 March 2006/2005	1,358	874
Net Book Value:		
At 31 March 2006/2005	5,757	6,241

The Group's interests in leasehold land represents prepaid operating lease payments in respect of leasehold land in Hong Kong under long-term lease and their net book value is analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Land in Hong Kong, held on:		
Long-term leases	5,757	6,241

As at 31 March 2006, the Group's leasehold land with carrying amount of HK$4,606,000 (2005: HK$4,639,000) were pledged to secure a mortgage loan granted to the group (note 19).

11. Goodwill

The Group

	HK$'000
Cost:	
At 1 April 2004 and at 31 March 2005	5,913
Elimination of accumulated amortisation upon adoption of HKFRS 3	(389)
At 31 March 2006	5,524
Accumulated amortisation:	
At 1 April 2004	118
Charge for the year	271
At 31 March 2005 and at 1 April 2005	389
Elimination of accumulated amortisation upon adoption of HKFRS 3	(389)
At 31 March 2006	—
Impairment:	
At 1 April 2004 and at 31 March 2005	—
Impairment loss recognised	5,524
At 31 March 2006	5,524
Carrying amount:	
At 31 March 2006	—
At 31 March 2005	5,524

(i) In prior years, Goodwill is amortised over a period of 15 years. Following the adoption of HKFRS 3, amortisation of goodwill has ceased since 1 April 2005. The accumulated amortisation of goodwill as at 1 April 2005 has been eliminated against the cost of goodwill as at that date. Annual impairment review was performed.

(ii) Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to country of operation at business segment as follows:—

	2006	2005
	HK$'000	*HK$'000*
Provision of apparel sourcing, quality assurance and social compliance monitoring services	—	5,524

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a fiveyear period. Cash flow beyond five-year period is extrapolated using the estimated rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

Gross margin	35%
Growth rate	20%
Discount rate	7%

Management determined the budget gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are calculated in accordance with the total amounts and terms of signed contracts. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

(iii) Due to operating loss incurred by the subsidiary, the director reassessed the recoverable amount of the goodwill and made impairment loss approximately HK$5,524,000.

12. Interests In Subsidiaries

The Company

	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	22,316	32,916
Less: Impairment loss on interests in subsidiaries	(7,042)	—
	15,274	32,916
Amounts due from subsidiaries	22,641	38,281
Less: Impairment loss on amounts due from subsidiaries	(22,641)	—
	—	38,281
	15,274	71,197

Name	Place of incorporation	Particular of issued and paid up capital	Percentage and of equity attributable to the Company 2006 %	2005 %	Principal activities
Directly held					
Sun Ace Group Limited	British Virgin Islands ("BVI")	US$1 Ordinary	100	100	Investment holding
Fair Good Limited	BVI	US$1 Ordinary	100	100	Investment holding
Indirectly held					
Sun Tai Hing Garment Making Company Limited	Hong Kong	HK$115,000 Ordinary	100	100	Provision of sales support services
Easy Billion International Enterprise Limited	Hong Kong	HK$10,000 Ordinary	100	100	Investment holding
East Step Trading Limited	Hong Kong	HK$1 Ordinary	100	100	Apparel trading (Hong Kong based)
Gala Consultants Group Limited	BVI	US$1 Ordinary	100	100	Apparel trading (Overseas based)
Elite Team Inc.	BVI	US$1 Ordinary	100	100	Investment holding
Fanlink Far East Limited	BVI	US$1 Ordinary	100	100	Investment holding

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

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and recoverable/(repayable) on demand.

13. Available-for-sale Financial Assets

As mentioned in note 2 to the financial statements, from 1 April 2005, the Group's investment in securities have been reclassified to available-for-sale financial assets in accordance with HKAS 39. The details of the Group's available-for-sale financial assets as at 31 March 2006 and at 31 March 2005 have been summarised below:—

	The Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Held for non-trading purpose:		
Listed equity securities — Hong Kong, at cost	31,260	31,260
Listed equity securities — outside Hong Kong, at cost	4,680	4,680
	35,940	35,940
Impairment loss on available-for-sale financial assets	(33,245)	—
At 31 March	2,695	35,940

14. Inventories

The Group

	2006	2005
	HK$'000	*HK$'000*
Finished goods	15,640	11,303
Less: Provision for obsolete inventories	(6,689)	—
	8,951	11,303

Note:

The movement of provision on obsolete inventories were as follows:—

	2006	2005
	HK$'000	*HK$'000*
Balance as at 1 April 2005/2004	—	—
Provision on obsolete inventories	6,689	—
Balance as at 31 March 2006/2005	6,689	—

15. Trade Receivables

The Group

The Group's general credit terms granted to its customers ranged form 0 — 60 days (2005: 0 — 60 days).

The following is an aged analysis of the trade receivables at the balance sheet date.

	2006	2005
	HK$'000	*HK$'000*
Within 30 days	3,586	8,485
Between 31 to 60 days	1,806	484
Between 61 days to 1 year	4,685	—
	10,077	8,969
Less: Impairment loss on trade receivables	(4,685)	—
	5,392	8,969

Notes:

i. The carrying amount of trade receivables approximately to their fair value.

ii. The movements in Impairment loss on trade receivables were as follows:

	2006	2005
	HK$'000	*HK$'000*
At 1 April 2005/2004	—	—
Impairment loss on trade receivables	4,685	—
At 31 March 2006/2005	4,685	—

16. Prepayments, Deposits And Other Receivables

	The Group		**The Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	2,096	3,689	226	85
Rental and utility deposits	1,910	2,437	—	—
Other receivables	32	—	—	—
Loan receivables	—	2,000	—	—
Investment deposits	—	2,745	—	—
	4,038	10,871	226	85

The fair value of the Group's prepayments, deposits and other receivables as at 31 March 2006 approximately to the corresponding carrying amount.

17. Share Capital

The Company

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	100,000	100,000
Issued and fully paid:		
320,000,000 ordinary shares of HK$0.01 each	3,200	3,200

18. Reserves

The Group

	Contributed surplus	**Share premium account**	**(Accumulated losses)/ retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note i)			
At 1 April 2004	(84)	25,146	52,440	77,502
Release upon disposal of a subsidiary	(1)	—	—	(1)
Net profit for the year	—	—	2,160	2,160
At 31 March 2005 and At 1 April 2005	(85)	25,146	54,600	79,661
Net loss for the year	—	—	(79,610)	(79,610)
At 31 March 2006	(85)	25,146	(25,010)	51

The Company

	Contributed surplus	**Share premium account**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note ii)			
At 1 April 2004	22,117	25,146	(905)	46,358
Release upon disposal of a subsidiary	(1)	—	—	(1)
Net loss for the year	—	—	(4,099)	(4,099)
At 31 March 2005 and At 1 April 2005	22,116	25,146	(5,004)	42,258
Net loss for the year	—	—	(41,527)	(41,527)
At 31 March 2006	22,116	25,146	(46,531)	731

Notes:

Contributed surplus

(i) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation on 22 October 2002 over the nominal value of the Company's shares issued in exchange thereof.

(ii) The contributed surplus of the Company represents the difference between the fair value of the shares of Sun Ace Group Limited acquired pursuant to the Group Reorganisation on 22 October 2002 over the nominal value of the Company's share issued in exchange thereof.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

(iii) In the opinion of the directors, the Company did not have any reserves available for distribution to shareholders at 31 March 2006. As at 31 March 2005, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to HK$47,262,000.

19. Interest-bearing Bank Borrowings — Secured

The Group

	2006	2005
	HK$'000	*HK$'000*
Mortgage loan repayable:		
Within one year or on demand	261	250
In the second year	264	255
In the third to fifth years, inclusive	827	792
Beyond five years	4,598	4,903
	5,950	6,200
Portion classified as current liabilities	(261)	(250)
Long term portion	5,689	5,950

The Group's mortgage loan was secured by the followings:

(i) legal charge over the leasehold land and buildings of the Group with an aggregate net book value of approximately HK$4,606,000 and HK$4,612,000 respectively (2005: HK$4,639,000 and HK$4,650,000) (note 9 and 10); and

(ii) personal guarantee executed by a director of the Company.

20. Deferred Taxation

Deferred tax liabilities arising from accelerated tax depreciation is as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
At 31 March 2006/2005	167	167

At 31 March 2006, there was no significant unrecognised deferred tax liabilities (2005: HK$Nil) for taxes that would have been payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liabilities to additional tax should amounts be remitted.

21. Trade And Other Payables

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables:				
Within 90 days	1,628	5,498	—	—
Within 91 days to 180 days	727	482	—	—
	2,355	5,980	—	—
Accrued expenses due within 30 days or on demand	990	929	469	403
	3,345	6,909	469	403

The carrying amount of trade and other payables approximately to their fair value.

22. AMOUNT DUE TO A DIRECTOR

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

The amount due to a director was secured by the corporate guarantee executed by the Company.

23. OTHER REVENUE

The Group

	2006	2005
	HK$'000	*HK$'000*
Bank interest income	240	200
Dividend income received from available-for-sale financial assets	191	159
Sundry income	—	21
	431	380

24. (Loss)/Profit From Operations

Expenses included in cost of goods sold, selling expenses and administrative expenses are analysed as follows:—

	The Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories expensed	38,892	73,674
Employee benefit expenses (Note 25)	3,172	2,640
Depreciation	3,147	1,098
Amortisation of intangible assets	—	233
Amortisation of goodwill	—	271
Amortisation of leasehold land	484	119
Auditors' remuneration	660	500
Impairment loss on loan receivable	2,000	—
Impairment loss on investment deposits	2,745	—
Provision for obsolete inventories	6,689	—
Operating lease rental in respect of rental premises	1,163	516
Irrecoverable bad debts	—	3,800

25. Employee Benefit Expenses

The Group

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
(a) Employee benefit expenses are analysed as follows:		
Wages, salaries and allowance	2,981	2,467
Retirement benefit contributions	191	173
	3,172	2,640

(b) Directors and senior management emoluments

	Fee		Salaries, bonus and other benefits		Pension scheme contributions		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*
Name of directors								
Executive directors								
Tsai Lai Wa, Jenny	—	—	—	129	—	—	—	129
Edmund Siu	—	—	120	120	6	—	126	120
Mao Yue	—	—	240	20	12	—	252	20
	—	—	360	269	18	—	378	269
Independent non-executive directors								
Lo Wing Yan, Emmy	100	100	—	—	—	—	100	100
Fu Wing Kwok, Ewing	100	30	—	—	—	—	100	30
Liang Kwong Lim	100	20	—	—	—	—	100	20
	300	150	—	—	—	—	300	150
	300	150	360	269	18	—	678	419

The remuneration of all of the director fell within the nil to HK$500,000 band for the two years ended 31 March 2005 and 2006.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2005: one) directors whose emoluments are set out in note 25(b) above. The emoluments of the remaining four (2005: four) individuals were follows.

	2006	2005
	HK$'000	*HK$'000*
Wages, salaries and allowance	580	492
Retirement benefit contributions	21	17
	601	509

The emoluments on each of the remaining four highest paid individuals fell within the followings bands:

	Number of individual	
	2006	2005
Emolument bands:		
Nil to HK$500,000	4	4

26. Finance Costs

The Group

	2006	2005
	HK$'000	*HK$'000*
Bank charges	15	21
Mortgage loan interest wholly repayable over five years	134	172
	149	193

27. Taxation

The Group

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	85	60
Provision for estimated assessments of tax liabilities *(Note (i))*	19,918	—
Current — Elsewhere		
Charge for the year	—	1,254
Over provision in prior year	—	(21)
Total tax charge for the year	20,003	1,293

Notes:

(i) During the year, the Hong Kong Inland Revenue Department ("IRD") issued certain estimated assessments for tax liabilities of approximately HK$19,918,000 to a subsidiary on the non-taxable claim of non-Hong Kong sourced income for the years of assessment of 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003 and 2003/2004 ("Estimated Assessments"). The concerned subsidiary has formally filed objections to the IRD against the Estimated Assessments and the concerned subsidiary is still in the process of answering queries from the IRD. The directors considered that full provision on the tax liabilities of the Estimated Assessments was required as the result of the objections regarding the Estimated Assessments is uncertain.

(ii) A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax expense/(income) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

The Group — for the year ended 31 March 2006

	Hong Kong		Others		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(49,322)		(10,285)		(59,607)	
Tax at the statutory tax rate	(8,631)	(17.5)	(1,543)	(15)	(10,174)	(17.1)
Tax effect of expenses that are not deductible in determining taxable profit	8,791	17.8	1,063	10.3	9,854	16.5
Tax effect of income that is not taxable in determining taxable profit	(75)	(0.1)	—	—	(75)	(0.1)
Provision for tax liabilities	19,918	40.4	—	—	19,918	33.4
Effect of tax losses not recognised	—	—	480	4.7	480	0.8
Tax charge for year	20,003	40.6	—	—	20,003	33.5

The Group — for the year ended 31 March 2005

	Hong Kong		Others		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before taxation	(654)		11,828		11,174	
Tax at the statutory tax rate	(114)	(17.5)	1,774	15	1,660	14.8
Tax effect of expenses that are not deductible in determining taxable profit	258	39.4	127	1.0	385	3.4
Tax effect of income that is not taxable in determining taxable profit	(63)	(9.6)	(668)	(5.6)	(731)	(6.5)
Over provision in previous year	(21)	(3.2)	—	—	(21)	(0.1)
Tax charge for year	60	9.1	1,233	10.4	1,293	11.6

28. Loss From Ordinary Activities Attributable To Shareholders

The Group's consolidated loss attributable to shareholders is approximately HK$79,610,000 (2005: profit of HK$2,160,000) of which net loss of approximately HK$41,527,000 (2005: HK$4,099,000) is dealt with in the financial statements of the Company.

29. Dividend

The directors do not recommend the payment of any dividend in respect for the year ended 31 March 2006 (2005: Nil).

30. (Loss)/Earnings Per Share

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit attributable to the Company's equity holders of HK$79,610,000 (2005: profit of HK$2,160,000) and on 320,000,000 (2005: 320,000,000) shares in issue during the year.

There were no potential shares in existence for the year ended 31 March 2006 and 2005, and, accordingly, no diluted loss per share has been presented.

31. Acquisition Of A Subsidiary

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	—	730
Inventories	—	201
Prepayment, deposits and other receivables	—	2,930
Cash and cash equivalent	—	20
Trade and other payables	—	(381)
	—	3,500
Purchase consideration settled in cash	—	3,500

Analysis of the net cash outflow in respect of the acquisition of a subsidiary is set out below:

	2006	2005
	HK$'000	*HK$'000*
Cash consideration paid	—	3,500
Cash and cash equivalent acquired	—	(20)
Net cash outflow in respect of the acquisition of a subsidiary	—	3,480

During the year ended 31 March 2005, the Group acquired 100% interest in Gala Consultants Group Limited which is principally engaged in apparel trading.

The subsidiary acquired in 2005 contributed approximately HK$13,884,000 to the Group's turnover and contributed to the Group's profit of approximately HK$4,790,000 for the year. The subsidiary acquired contributed approximately HK$2,692,000 to the Group's net operating cash flows for the year ended 31 March 2005.

32. Employee Retirement Benefits

The Group has a defined contribution retirement benefits scheme ("the Scheme") for its qualified employees, which was registered under the Occupational Retirement Scheme Ordinance (Chapter 426 of Laws of Hong Kong) and exempted from registration requirements of Section 5 of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined income statement as they become payable in accordance with rules of the Scheme. The assets of the 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 Scheme except for the Group's employer voluntary contributions, which are refunded to the group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

33. Share Option Scheme

The Company's existing share option scheme ("Share Option Scheme") became effective on 22 October 2002. The major terms of the Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules on the Stock Exchange, are set out as follows:

(a) Purpose

The purpose of Share Option Scheme is providing incentives and rewards to full-time employees of the Group in recognition of their contribution to the Group.

(b) Participants of the Share Option Scheme

Subject to the terms of the share Option Scheme, the Directors may, at its absolute discretion, invite full-time employees of the Group including executive directors of the Company or any of its subsidiaries ("Eligible Persons") to take up options to subscribe for Shares.

(c) Total number of shares available for issue under the Share Option Scheme

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option scheme and any other scheme of the Company must not exceed 30% of the total issued share capital of the Company from time to time.

(d) Maximum entitlement of each Eligible Persons

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each Eligible Person shall not exceed 1% of the total issued share capital of the Company in issue unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant Eligible Person and its associates abstain from voting on the resolution.

(e) Time of acceptance and exercise of the Share Option Scheme

An offer of the grant of an option shall be made to Eligible Persons by letter in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the Adoption Date or after the Share Option Scheme has been terminated.

(f) Amount payable upon acceptance of the option

A non-refundable nominal consideration of $1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Person together with the said consideration of $1.00 is received by the Company.

(g) Basis of determining the exercise price of the option

The exercise price for Shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of:

(i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day, and

(ii) the average closing price of the Shares as stated in daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant, and

(iii) nominal value of Shares

(h) Period of the Share Option Scheme

Unless otherwise provided in the terms of the Share Option Scheme, an option may be exercised at any time during the period commencing on the expiry of six calendar months after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the Board to each grantee, but in any event not later than 10 years from the date of grant of option but subject to the early termination of the Share Option Scheme.

(i) Details of option granted

During the year under review and up the date of this report, no share option was granted or agreed to be granted under the Share Option Scheme.

34. Disposal Of A Subsidiary

The Group

	2006	2005
	HK$'000	*HK$'000*
Net assets disposed of:		
Intangible assets	—	3,835
Property, plant and equipment	1,783	—
Agency costs	—	9,827
Prepayments, deposits and other receivables	59	9
Cash and cash equivalent	26	8
Assignment of amount due to fellow subsidiaries	—	(8,286)
Trade and other payables	(504)	(8)
Minority interests	(2,262)	—
	(898)	5,385
Gain/(loss) on disposal of a subsidiary attributable to discontinued operation	1,098	(2,585)
Consideration satisfied by cash	200	2,800

For the year ended 31 March 2006

On 19 January 2006, the Group disposed of the 51% interests in View Joy Limited to an independent third party for a cash consideration of approximately HK$200,000, the principal activities of which is engaged in the provision of apparel sourcing, quality assurance and social compliance monitoring services. The gain on disposal of View Joy Limited amounted to approximately HK$1,098,000 has been credited to the income statement for the year.

For the year ended 31 March 2005

During the year ended of 31 March 2005, the Group disposed of the entire interests in Dragon City Limited which is principally engaged in the provision of marketing and compliance monitoring services for a consideration of HK2,800,000.

Analysis of the net cash inflow in respect of the disposal of a subsidiary is set out below:

	2006	2005
	HK$'000	*HK$'000*
Cash consideration received	200	2,800
Cash and cash equivalent disposed of	(26)	(8)
Net cash inflow in respect of the disposal of a subsidiary	174	2,792

The subsidiary disposed of during both years ended 31 March 2006 and 2005 did not contribute significantly to the Group's cash and did not have material impact on the Group's results as a whole.

35. Commitments

Operating lease commitments

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	842	303
In the second to fifth years, inclusive	1,096	329
	1,938	632

36. Material Related Party Transactions

(a) Key management personnel

Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in note 25, is as follows:—

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Salaries and other short-term benefits	660	419
Pension scheme contributions	18	—
	678	419

(b) The amount due to a director amounted to approximately HK$8,261,000 as at 31 March 2006 was secured by the corporate guarantee provided by the Company. The director has been resigned on 12 July 2006.

37. Contingent Liabilities

Apart from the Tax Obligations imposed by the IRD against to a subsidiary of the Group amounted to approximately HK$19,918,000 as set out in note 27, the Group does not have any material contingent liabilities as at 31 March 2006.

38. Subsequent Event

On 2 June 2006, the Group entered into a disposal agreement with an independent third party for the disposal of the entire interests in Fair Good Limited, Elite Team Inc. and Easy Billion International Enterprise Limited ("Easy Billion") for a total cash consideration of approximately HK$120,000.

39. Comparative Figures

Following the adoption of new HKASs and HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified/ restated to conform with the current year's presentation and accounting treatment.

40. Approval Of Financial Statements

The financial statements were approved by the board of directors on 26 July 2006.

3. INTERIM RESULTS (UNAUDITED)

Set out below is the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2006, together with the unaudited comparative figures for the corresponding periods in 2005, which extracted from the interim report of the Company for the six months ended 30 September 2006.

Condensed Consolidated Income Statement
For the six months ended 30th September 2006

		Unaudited Six months ended 30th September	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	22,760	29,429
Cost of sales		(20,784)	(23,224)
Gross profit		1,976	6,205
Other revenue		59	248
Selling expenses		(453)	(3,749)
Administrative expenses		(4,801)	(5,591)
Impairment of available-for-sale financial assets		—	(28,655)
Loss from operations	*4*	(3,219)	(31,542)
Finance costs	*5*	(58)	(116)
Loss before tax		(3,277)	(31,658)
Tax	*6*	—	(169)
Loss for the period		(3,277)	(31,827)
Attributable to:			
Equity holders of the Company		(3,277)	(31,537)
Minority interests		—	(290)
		(3,277)	(31,827)
Interim dividend	*7*	—	—
Loss per share			
Basic, HK cents	*8*	(1.0)	(9.9)
Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

At 30th September 2006

	Notes	**As at 30th September 2006** *HK$'000* **(Unaudited)**	As at 31st March 2006 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	7,135	12,103
Leasehold land and land use rights	*9*	1,150	5,757
Available-for-sale financial assets		1,320	2,695
		9,605	20,555
Current assets			
Inventories		7,801	8,951
Trade receivables	*10*	5,997	5,392
Prepayments, deposits and other receivables		3,292	4,038
Cash and bank balances		1,943	2,488
		19,033	20,869
Total assets		28,638	41,424
Equity			
Capital and reserves attributable to the Equity holders of the Company			
Share capital		3,200	3,200
Reserves		(3,226)	51
		(26)	3,251
Non-current liabilities			
Interest-bearing bank borrowings, secured		—	5,689
Deferred taxation		167	167
		167	5,856
Current liabilities			
Trade and accruals	*11*	3,158	3,345
Interest-bearing bank borrowings, secured		—	261
Other payables		4,889	8,261
Tax payable		20,450	20,450
		28,497	32,317
Total equity and liabilities		28,638	41,424
Net current liabilities		9,464	11,448
Total assets less current liabilities		141	9,107

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2006

	Unaudited					
	Attributable to shareholders To the Company					
	Share Capital	**Contributed Surplus**	**Share premium account**	**Retained profits**	**Minority Interest**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April 2005, as previously reported, as equity	3,200	(85)	25,146	54,601	—	82,862
Balance at 1st April 2005, as previous separately reported as minority interest	—	—	—	—	2,262	2,262
Loss for the period	—	—	—	(31,827)	—	(31,827)
Share of net loss by Minority interest	—	—	—	290	(290)	—
Balance at 30th September 2005	3,200	(85)	25,146	23,064	1,972	53,297
Balance at 1st April 2006	3,200	(85)	25,146	(25,010)	—	3,251
Loss for the period	—	—	—	(3,277)	—	(3,277)
Balance at 30th September 2006	3,200	(85)	25,146	(28,287)	—	(26)

Condensed Consolidated Cash flow Statement
For the six months ended 30th September 2006

	Unaudited Six months ended 30th September	
	2006	2005
	HK$'000	*HK$'000*
Net cash outflow from operating activities	(2,268)	(730)
Net cash inflow from investing activities	7,673	2,776
Net cash (outflow)/inflow from financing activities	(5,950)	2,019
(Decrease)/increase in cash and cash equivalents	(545)	4,065
Cash and cash equivalents at beginning of the period	2,488	4,246
Cash and cash equivalents at end of the period	1,943	8,311
Analysis of the balances of cash and cash equivalents		
— Cash and bank balances	1,943	8,311

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2006

1. Basis of preparation and accounting policies

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

2. Significant Accounting Policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March 2006 except in relation to the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "new/revised HKFRSs"), which have become effective for accounting periods beginning on or after 1st January 2006, that are adopted for the first time for the current period's financial statements:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchanges Rates — Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a lease

The adoption of the above new/revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in Group's condensed consolidated interim financial statements.

The following new/revised HKFRSs relevant to the Group's operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

3. Segment information

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of (i) apparel sourcing (ii) apparel trading and (iii) sales support services.

An analysis of the Group's turnover and operating results by segments during the period is shown as follows:

(i) Primary segment

	Unaudited							
	Continuing operations							
	Apparel sourcing Six months ended 30th September		Apparel trading Six months ended 30th September		Sales support services Six months ended 30th September		Consolidated Six months ended 30th September	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	—	3,298	22,760	26,131	—	—	22,760	29,429
Segment results	—	(3,307)	(3,219)	1,029	—	(609)	(3,219)	(2,887)
Impairment of available-for-sales financial assets								(28,655)
Finance costs							(58)	(116)
Taxation							—	(169)
Profit after taxation							(3,277)	(31,827)
Attributable to:								
Equity holders of the Company							(3,277)	(31,537)
Minority interests							—	(290)
							(3,277)	(31,827)

(ii) Secondary segment

	Unaudited			
	Turnover		Operating results	
	Six months ended 30th September		Six months ended 30th September	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	4,012	11,202	(1,134)	501
PRC	—	5,908	—	108
Macau	18,748	9,020	(2,085)	1,029
Russia	—	581	—	(1,106)
South Korea	—	1,098	—	(1,129)
Panama	—	510	—	(728)
United States	—	1,110	—	(1,562)
	22,760	29,429	(3,219)	(2,887)

There are no material sales between the geographical segments.

No analysis of capital expenditure by geographical location is presented as majority of the Group's capital assets acquired during the period are located in Hong Kong and Macau.

4. Loss from operations

The Group's loss from operations is arrived at after charging/(crediting):

	Unaudited Six months ended 30th September	
	2006	2005
	HK$'000	*HK$'000*
Cost of inventories sold	20,784	23,224
Depreciation of owned fixed assets	678	724
Operating leases in respect of land and buildings	669	468
Interest income	(11)	(201)
Dividend income from investment securities	(31)	(31)

5. Finance costs

	Unaudited Six months ended 30th September	
	2006	2005
	HK$'000	*HK$'000*
Interest expenses on:		
Mortgage loan not wholly repayable within five years	58	112
Bank charges	—	4
	58	116

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Unaudited Six months ended 30th September	
	2006	2005
	HK$'000	*HK$'000*
Current taxation:		
— Hong Kong profit tax	—	59
— Overseas taxation	—	110
	—	169

7. Interim dividend

The directors do not recommend the payment of interim dividend for the six months ended 30th September 2006 (2005: Nil).

8. Loss per share

The calculation of basic loss per share is based on the Group's net loss attributable to shareholders for the period ended 30th September 2006 of HK$3,277,000 (2005: 31,537,000) and the weighted average of 320,000,000 (2005: 320,000,000) ordinary shares in issue during the period.

There were no potential dilutive shares in existence for the two periods ended 30th September 2006 and 2005, accordingly, no diluted earnings per share has been presented.

9. Capital expenditure

	Property, plant and equipment *HK$*	Leasehold land and land use rights *HK$*	Total *HK$*
Six months ended 30 September 2006			
Opening net book amount as at 1 April 2006	12,103	5,757	17,860
Additions	1,878	—	1,878
Disposals	(6,192)	(4,583)	(10,775)
Depreciation and amortisation	(654)	(24)	(678)
Closing net book amount as at 30 September 2006	7,135	1,150	8,285
Six months ended 30 September 2005			
Opening net book amount as at 1 April 2005	16,556	6,164	22,720
Additions	165	—	165
Disposals	(732)	—	(732)
Depreciation and amortisation	(503)	(221)	(724)
Closing net book amount as at 30 September 2005	15,486	5,943	21,429

10. Trade receivables

General credit terms granted by the Group to its customers ranged from 0 — 60 days (2005: 0 — 60 days). The following is an aged analysis of the trade receivables at the balance sheet date.

	As at 30th September 2006 (Unaudited) ***HK$'000***	As at 31st March 2006 (Audited) *HK$'000*
Within 30 days	1,346	3,586
Between 31 — 60 days	3,783	1,806
Between 61 days to 1 year	5,553	4,685
	10,682	10,077
Less: Impairment loss on trade receivables	(4,685)	(4,685)
	5,997	5,392

11. Trade and accruals

An aged analysis of the trade and accruals as at the balance sheet date is as follows:

	As at 30th September 2006 (Unaudited) *HK$'000*	As at 31st March 2006 (Audited) *HK$'000*
Trade creditors		
Within 90 days	1,657	1,628
Within 91 days to 180 days	207	727
	1,864	2,355
Accrued expenses due within 30 days or on demand	1,294	990
	3,158	3,345

12. Share capital

	As at 30th September 2006 (Unaudited) *HK$'000*	As at 31st March 2006 (Audited) *HK$'000*
Authorised:		
1,000,000,000 shares of HK$0.01 each	10,000	10,000
Issued and fully paid:		
320,000,000 shares of HK$0.01 each	3,200	3,200

13. Commitments and contingent liabilities

Operating lease commitments

As at 30th September 2006, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	As at 30th September 2006 (Unaudited) *HK$'000*	As at 31st March 2006 (Audited) *HK$'000*
Amounts payable:		
— within one year	618	842
— within two to five years	981	1,096
	1,599	1,938

Contingent liabilities

A writ has been filed against the Company in respect of a claim for reimbursement of expenses paid on behalf of the Company and its subsidiary amounting to approximately HK$3 million on 26 July 2006. The Company is not aware of such alleged payments and has instructed lawyers to deal with the matter. Up to the date of this report, the Company is reviewing information supplied by the Plaintiff in respect of the allegation. The Board of Directors is in the opinion the claim is not justifiable and without merit. Hence, no provision has been made in the interim financial statements.

14. Material Related Party Transactions

(a) A former director of the Company has advanced funds to the Group amounting to approximately HK$1,367,000 for the six months period ended 30 September 2006. (six months ended 30 September 2005: HK$2,019,000); and

(b) The Group has remunerated to key management compensation amounting approximately HK$166,000 for the six months period ended 30 September 2006 (six months period ended 30 September 2005: HK$63,000).

15. Pledge of Assets

As at September 2006, none of the Group's assets has been pledged (31st March 2006: Nil)

16. Approval of Interim Report

The Interim Report was approved by the Board of Directors on 27 December 2006.

4. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 March 2007 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus), the Group does not have any outstanding borrowings.

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, none of the companies comprising the Group had outstanding at the close of business on 31 March 2007 any mortgages, term loans, charges or debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than normal trade bills) or acceptance credits or any guarantees.

Contingent liabilities

(a) A writ has been filed against the Company in respect of a claim for reimbursement of expenses paid on behalf of the Company and its subsidiary amounting to approximately HK$3 million on 26 July 2006. The Company is not aware of such alleged payments and has instructed lawyers to deal with the matter. The Board of Directors is in the opinion the claim is not justifiable and without merit. Details of which are set out in the section head "Litigation" in Appendix III to this Prospectus.

(b) The Inland Revenue Department imposed a tax obligations against a subsidiary of the Group amounted to approximately HK$19,918,000.

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

The Directors have confirmed that there has been no material change in the indebtedness or contingent liabilities of the Group since 31 March 2007.

5. WORKING CAPITAL

The Directors are of the opinion that, based on the present available facilities, internal resources of the Group, the estimated net proceeds from the Open Offer and in the absence of unforeseeable circumstances, the Group will have sufficient working capital to satisfy its requirement for the next twelve months from the date of the Prospectus.

6. 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 2006, the date to which the latest audited financial statements of the Company were made up.

1. THE STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the open offer of 192,000,000 offer shares at the subscription price of HK$0.20 on the basis of one offer share for every two shares held on the Record Date (the "Open Offer") on the net liabilities of the Group as if the Open Offer had been completed on 30 September 2006. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Open Offer and any future financial periods.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared based on the net liabilities of the Group as at 30 September 2006 as extracted from the published unaudited interim report of the Group for the six months ended 30 September 2006 and is adjusted for the effect of the Open Offer.

Unaudited consolidated net liabilities as at 30 September 2006	Add: Estimated net proceeds from the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group after completion of the Open Offer	Unaudited Pro forma adjusted consolidated net tangible assets per share immediately after completion of the Open Offer
HK$'000	*HK$'000*	*HK$'000*	*HK$*
(Note 1)	*(Note 2)*		*(Note 3)*
(26)	**37,000**	**36,974**	**0.07**

Notes:

1. The unaudited consolidated net liabilities of the Group as at 30 September 2006 is extracted from the unaudited consolidated balance sheet of the Company as at 30 September 2006 as extracted from the published unaudited interim report of the Group for the six months ended 30 September 2006.

2. This reflects the estimated net proceeds of approximately HK$37,000,000 from the Open Offer approximately HK$38,400,000 after deducting estimated expenses of approximately HK$1,400,000 attributable to the Open Offer.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per share immediately after the Open Offer is calculated based on the assumption that 512,000,000 ordinary shares in issue as at the Record Date which consists of 320,000,000 ordinary shares in issue as at 30 September 2006 together with 192,000,000 Offer Shares will be issued upon completion of the Open Offer.

2. REPORT ON THE STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of the report, prepared for the purpose of incorporation in this Prospectus, from the reporting accountants of the Company, M.C. Ng & Co., Certified Public Accountants (Practising) in connection with the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group:

M. C. Ng & Co.
Certified Public Accountants (Practising)
Room 1502, Double Building
22 Stanley Street
Central, Hong Kong

The Board of Directors
Grandtop International Holdings Limited
No. 1, 1st Floor, Pei Ho Building
115-117 Fuk Wa Street
Sham Shui Po
Kowloon, Hong Kong

18 May 2007

Dear Sirs,

We report on the statement of unaudited pro forma adjusted consolidated net tangible assets of Grandtop International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the open offer of 192,000,000 shares at the subscription price of HK$0.20 on the basis of one offer share for every two existing shares held on the record date might have affected the consolidated net tangible assets of the Group presented, for inclusion in Section 1 of Appendix II of the prospectus of the Company dated 18 May 2007 (the "Prospectus"). The basis of preparation of the statement of unaudited pro forma adjusted consolidated net tangible assets is set out in Section 1 of Appendix II of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the statement of unaudited pro forma adjusted consolidated net tangible assets in accordance with paragraph 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 the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the statement of unaudited pro forma adjusted consolidated net tangible assets 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 statement of unaudited pro forma adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the date of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investments Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the statement of unaudited pro forma adjusted consolidated net tangible assets with the directors 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 statement of unaudited pro forma adjusted consolidated net tangible assets 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 statement of unaudited pro forma adjusted consolidated net tangible assets as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The statement of unaudited pro forma adjusted consolidated net tangible assets is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, 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 Group as at 30 September 2006 or any future date.

Opinion

In our opinion:

(a) the statement of unaudited pro forma adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the statement of unaudited pro forma adjusted consolidated net tangible assets as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

M. C. Ng & Co.
Certified Public Accountants (Practising)
Hong Kong, 18 May 2007

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Open Offer will be, as follows:

As at the Latest Practicable Date

The issued and paid up share capital

Ordinary shares:

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid:		
384,000,000	Shares in issue	3,840,000.00

Upon completion of the Open Offer

The issued and paid up share capital, taking into account of the Open Offer will be as follows:

Ordinary shares:

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid or credited as fully paid:		
384,000,000	Shares in issue	3,840,000.00
192,000,000	Offer Shares to be issued pursuant to the Open Offer	1,920,000.00
576,000,000	Shares in issue immediately upon completion of the Open Offer	5,760,000.00

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

The Company did not have any other options, warrants and other convertible securities or rights that are exchangeable or convertible into Shares or conferring any right to subscribe for the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF DIRECTOR'S INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 Companies contained in the Listing Rules, were as follows:

Name of Director	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding
			(%)
Bessie Siu	96,000,000 (L) *(Note 1)*	Other Interests	25

L: Long Position

Note:

(1) These shares were indirectly owned by a discretionary trust of which certain family members of Ms. Bessie Siu were eligible beneficiaries.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 Companies contained in the Listing Rules.

4. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any member of the Group:

Name of shareholder	**Number or attributable number of Shares held or short positions**	**Nature of interests**	**Approximate percentage or attributable percentage of shareholding** *(%)*
Kingston Securities Limited	153,675,000 (L) *(Note 1)*	Held by controlled Corporation	26.68
Chu Yuet Wah	153,675,000 (L) *(Note 1)*	Beneficial Owner	26.68
Ma Siu Fong	153,675,000 (L) *(Note 1)*	Beneficial Owner	26.68

Name of shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
Huge Gain Development Limited	96,000,000 (L) *(Note 2)*	Beneficial Owner	25
Nerine Trust Company Limited	96,000,000 (L) *(Note 2)*	Held by controlled corporation	25
Hui Ho Luek	76,650,000 (L)	Beneficial Owner	19.96
Premier Rise Investments Limited	64,000,000 (L)	Held by controlled Corporation	16.67

L: Long Position

Notes:

(1) 153,675,000 Shares represent the maximum number of Offer Shares Kingston Securities as underwriter is required to subscribe or procure to subscribe for pursuant to the Underwriting Agreements. As such, Kingston Securities is deemed to be interested in 153,675,000 Shares under the SFO. The entire issued shares capital of Kingston Securities is owned as to 51% by Chu Yuet Wah and 49% by Ma Siu Fong. Chu Yuet Wah and Ma Siu Fong are therefore deemed to be interested in 153,675,000 Shares under the SFO.

(2) These shares are registered in the name of Huge Gain Development Limited ("Huge Gain"). The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited ("Nerine Trust"). Nerine Trust is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. All the units issued by SB Unit Trust were held by family members of Mr. Siu Ban, co-founder of the Group.

Save as disclosed herein, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, as at the Latest Practicable Date, there was no other person known to the Directors (other than the Directors or chief executives of the Company as disclosed in the above), who had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save for the Underwriting Agreements, there is no contract or agreement entered into by any member of the Group, subsisting at the date of this Prospectus in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

As at the Latest Practicable Date, none of the Directors had any interests, direct or indirect, in any assets which have been, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group and associated companies (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this Prospectus:

Name	**Qualification**
M. C. Ng & Co.	Certified Public Accountants

M. C. Ng & Co. has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, M. C. NG & Co. did not have any shareholding in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, direct or indirect, in any assets which have been, since 31 March 2006, the date to which the latest published audited 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 Group.

8. MATERIAL CONTRACTS

Save for the Underwriting Agreements, within the two years immediately preceding the date of this Prospectus and up to the Latest Practicable Date, the Company and its subsidiaries have not entered into any contract outside its ordinary course of business and is or may be material.

9. LITIGATION

A writ has been filed by the plaintiff (the "Plaintiff") against the Company in respect of a claim for reimbursement of expenses allegedly paid on behalf of the Company and Sun Tai Hing Garment Making Company Ltd. (the "Subsidiary"), the Company's subsidiary, amounting to approximately HK$3 million on 26 July 2006. Out of the expenses claimed, over HK$2.5 million was allegedly incurred on behalf of the Subsidiary and a sum of approximately HK$463,000 constituted expenses allegedly incurred on behalf of the Company. The Company is not aware of such alleged payments and has instructed lawyers to deal with the matter. The Plaintiff is the sister of the father of Ms. Bessie Siu, an executive Director. The Plaintiff is a director of the Subsidiary and the person responsible to run the daily affairs of the Subsidiary. The Plaintiff was never a director of the Company. Up to the date of this Prospectus, the Company is reviewing information supplied by the Plaintiff in respect of the allegation. The Board is of the opinion the claim is not justifiable and without merit. Hence, no provision has been made in respect of the allegation.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any member of the Group is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Company or any member of the Group.

10. COMPETING BUSINESS

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

11. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

(a)

Name	Address
Executive Directors	
Ms. Bessie Siu	Flat E, 31/F, Block 21 South Horizons Ap Lei Chau Hong Kong
Mr. Lee Yiu Tung	Flat A, 7/F., Tower 6 Grand Regent Ville Fanling New Territories Hong Kong
Non-Executive Director	
Mr. Fu Wing Kwok, Ewing	Flat B, 6th Floor 17 Humbert Street Mei Foo Sun Chuen Lai Chi Kwok Kowloon Hong Kong
Independent Non-Executive Directors	
Mr. Chang Kin Man	27A Ko Nga Court 9 High Street Sai Ying Pun Hong Kong
Mr. Ip Wing Lun	Flat H, 18/F., Tower 8 Aegean Coast 2 Kwun Tsing Road Tuen Mun New Territories Hong Kong
Mr. Zhou Han Ping	7-403 Fu Ting Yuan Nan Shan District Shenzhen People’s Republic of China

(b) Qualifications

Ms. Bessie Siu, aged 30, has several years of experience in marketing management, general administration works and trading business. Ms. Siu holds a bachelor degree in Science, Master of Marketing Management and Master of Business Administration. She was appointed as an executive Director on 25 April 2006.

Mr. Lee Yiu Tung, aged 43, is a registered architect in Hong Kong with extensive working experiences related to PRC property development, project management and development consultant services. Mr. Lee is a member of Royal Institute of British Architects and Hong Kong Institute of Architects. He holds a Bachelor of Arts in Architectural Studies with Honours, a Bachelor of Architecture and a Master of Science degree in Real Estate all from the University of Hong Kong. He also holds a qualification of Real Estate Planner recognized by the Ministry of Labor and Social Security, PRC. He was appointed as an executive Director 13 June 2006.

Mr. Fu Wing Kwok, **Ewing** aged 35, is the financial controller and the company secretary of Sino Union Petroleum & Chemical International Limited, which is listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr Fu Wing Kwok is also responsible for the planning and supervising the implementation of the management information system. He holds a bachelor degree in science with major in accounting Bemidji State University, USA and is a member of both American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in auditing and accounting field. He was re-designated from an Independent Non-executive Director to a Non-executive Director with effect from 12 July 2006.

Mr. Chang Kin Man, aged 42, is a certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Certified Accountants. Mr. Chang holds a Bachelor of Science Degree in Economics and a Master's degree in Applied Finance.

Mr. Chang has extensive experience in corporate finance and in accounting field. He worked for an international accounting firm and a number of public listed companies for more than 15 years. During the past three years, Mr. Chang acted as an independent non-executive director of Haywood Investments Limited (Stock code 905), a company listed on the Main Board of the Stock Exchange of Hong Kong (the "Stock Exchange"). He resigned from the company on 24 May 2005. He is currently an independent non-executive director of Sunlink International Holdings Limited (stock code 2336), China Energy Development Holdings Limited (stock code 228) and China Water Industry Group Ltd. (stock code 1129), all are listed company on the Main Board of the Stock Exchange. He was appointed as an Independent Non-executive Director on 13 July 2006.

Mr. Ip Wing Lun, aged 38, is a Certified Public Accountant (Practising) in Hong Kong. Mr. Ip is currently an independent non-executive director of China Energy Development Holdings Limited which is listed on the Main Board of the Stock Exchange. Mr. Ip holds a Master degree of Business Administration and is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of International Accountants of the United Kingdom, an associate member of the Institute of Chartered Secretaries and Administrator, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. He has over 10 years of experience in auditing, taxation and provision of financial consultancy services of companies in Hong Kong and the PRC. Mr. Ip is presently a sole practitioner of Allan Ip & Co., Certified Public Accountants (Practising).

Mr. Zhou Han Ping, aged 37, graduated in Guangzhou Institute of Foreign Trade in 1994. Mr. Zhou was an Export & Import Manager of China National Packaging Import & Export Corporation)(中國包裝進出口總公司). Mr. Zhou was a Manager of South China Region of CIMC (China International Marine Container Holding Limited)(中國國際海運集裝箱(集團)股份有限公司). He had over 10 years experience in International Trade Settlement. Now, Mr. Zhou is Managing Director of Shenzhen Miao Fang Development Company Limited (深圳市苗方科技有限公司) since 2002.

12. CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	No. 1, 1st Floor Pei Ho Building 115-117 Fuk Wa Street Sham Shui Po, Kowloon Hong Kong

Authorised representatives	Mr. Edmund Siu Mr. Lee Yiu Tung
Company secretary	Mr. Edmund Siu *CA (Aust), CPA*
Qualified accountant	Mr. Edmund Siu *CA (Aust), CPA*
Principal share registrar in the Cayman Islands	Bank of Bermuda (Cayman) Limited P.O. Box 513 G.T. 3rd Floor, 36C Bermuda House Dr. Roy's Drive, George Town Cayman Islands, British West Indies
Branch share registrar in Hong Kong	Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* Robertsons 57th Floor, The Centre, 99 Queen's Road Central Hong Kong
Auditors	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31st Floor, Gloucester Tower The Landmark 11 Pedder Street, Central Hong Kong
Principal bankers	Standard Chartered Bank The Bank of East Asia

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of the Prospectus Documents and the consent letter referred to in the paragraph headed "Expert and Consent" in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

14. LEGAL EFFECT

This Prospectus, the Application Forms, and all acceptances of any offer or application contained in or made on such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the panel provisions, of Section 44A and 44B of the Companies Ordinance, so far as applicable.

15. MISCELLANEOUS

(a) The office of Kingston Securities is Suite 2801, 28th Floor, One International Finance Centre, 1 Habour View Street, Central, Hong Kong.

(b) The English texts of the Prospectus and the accompanying Application Form shall prevail over their Chinese text for the purpose of interpretation.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the office of Robertsons, 57th Floor, The Center, 99 Queen's Road Central, Hong Kong from the date of this Prospectus up to and including Monday, 4 June 2007:

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for each of the three financial years ended 31 March 2006;

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) the written consent of the expert referred to in the paragraph headed "Expert and Consent" in this appendix;

(e) the report on the unaudited pro forma adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this Prospectus; and

(f) the Underwriting Agreements.