THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Grandtop International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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)

MAJOR TRANSACTION

A notice convening an extraordinary general meeting of Grandtop International Holdings Limited to be held at Tianshan Room and Lushan Room, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 9:30 a.m. on 10 September 2007 is set out on pages 100 to 101 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

* *For identification purpose only*

23 August 2007

CONTENTS

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

"Acquisition"	the proposed acquisition of a 51% equity interest in GMF by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
"Board"	the board of Directors
"Company"	Grandtop International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"Deed of Variation"	the deed of variation dated 24 July 2007 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held on 10 September 2007 for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement, the Deed of Variation and the Acquisition, a notice of which is set out on pages 100 to 101 of this circular
"Enlarged Group"	the Group immediately after Completion
"GMF"	Guangzhou Yuexiu Music Factory Entertainment Ballroom 廣州市越秀區音樂工廠娛樂歌舞廳, a domestic limited liability company established in the PRC
"Group"	the Company and its subsidiaries
"GTC"	Guangzhou Tangcheng Culture and Recreation Company Limited 廣州市唐盛文化休閒有限公司, a domestic limited liability company to be established in the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Third Party"	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third party who is independent of the Company and its connected persons (has the meaning ascribed thereto under the Listing Rules)
"Latest Practicable Date"	22 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Net Profit"	means the audited consolidated net profit after taxation of GMF and excluding extraordinary items, any amounts received or written back for debt or any other provisions and, such profit shall be calculated by reference to the prevailing generally accepted accounting principles, standards and practices in Hong Kong during the Relevant Period
"PRC"	the People's Republic of China
"Purchaser"	Far Grow Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Relevant Period"	means a period of two financial years commencing from the date of Completion
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 23 July 2007 entered into between the Purchaser and the Vendor in relation to the Acquisition
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Equity Interest"	the 51% equity interest in GMF to be sold to the Purchaser by the Vendor pursuant to the Sale and Purchase Agreement
"Vendor"	Chung Tat Fun, an Independent Third Party
"%"	per cent.

In this circular, conversion of RMB into HK$ is based on the exchange rate of RMB1.00 to HK$1.03 for illustrative purpose only. Such conversions should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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:
Mr. Yeung Ka Sing, Carson
Mr. Hui Ho Luek, Vico
Mr. Steven McManaman
Mr. Lee Yiu Tung
Mr. Ip Wing Lun
Ms. Wong Po Ling, Pauline
Ms. Bessie Siu

Non-executive Directors:
Mr. Christian Lali Karembeu
Mr. Fu Wing Kwok, Ewing

Independent non-executive Directors:
Mr. Chang Kin Man
Mr. Zhou Han Ping
Mr. Yip Man Ki

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

Head office and principal place of business in Hong Kong:
Room 3008, 30th Floor
West Tower, Shun Tak Centre
168 - 200 Connaught Road Central
Hong Kong

23 August 2007

To the Shareholders

Dear Sir and Madam,

MAJOR TRANSACTION

INTRODUCTION

On 2 August 2007, the Company announced that the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor had entered into the Sale and Purchase Agreement on 23 July 2007 pursuant to which the Vendor has conditionally agreed to sell and/or procure the sale of, and the Purchaser has conditionally agreed to purchase the Target Equity Interest, being a 51% equity interest in the registered capital of GMF, for an aggregate consideration of

* *For identification purpose only*

RMB15,300,000 (approximately HK$15,773,000) which will be paid in cash by third party financing (the amount of which has not yet been determined) and/or internal resources of the Group.

Upon Completion, GTC will become a wholly-owned subsidiary of GMF. In addition, immediately upon Completion, each of the Purchaser and the Vendor shall extend a loan in the principal amount of RMB15,300,000 (approximately HK$15,773,000) to GMF.

On 24 July 2007, the Purchaser entered into the Deed of Variation with the Vendor pursuant to which the Vendor has undertaken to the Purchaser that in the event that the aggregate Net Profit attributable to the Target Equity Interest during the Relevant Period is less than RMB30,600,000 (approximately HK$31,546,000), the Vendor will pay to the Purchaser an amount equal to the shortfall.

The Acquisition constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders at the EGM. As the Vendor is an Independent Third Party and has no interest in the Shares and no Shareholder has a material interest in the Acquisition which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Sale and Purchase Agreement, the Deed of Variation and the Acquisition at the EGM.

The purpose of this circular is (i) to provide you with further information in relation to the Sale and Purchase Agreement, the Deed of Variation and the Acquisition as well as the financial information on the Group, GMF and the Enlarged Group; and (ii) to give you the notice of the EGM.

THE SALE AND PURCHASE AGREEMENT

Date: 23 July 2007

Parties:

Vendor: Chung Tat Fun

Purchaser: Far Grow Investments Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

The Purchaser is a wholly-owned subsidiary of the Company and an investment holding company.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and/or procure the sale of, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest, being a 51% equity interest in the registered capital of GMF. Upon Completion, GTC will become a wholly-owned subsidiary of GMF.

Consideration

The aggregate consideration for the Acquisition shall be RMB15,300,000 (approximately HK$15,773,000) which shall be paid in cash by third party financing (the amount of which has not yet been determined) and/or internal resources of the Group upon Completion.

Pursuant to the Sale and Purchase Agreement, immediately upon Completion, each of the Purchaser and the Vendor shall extend a loan in the principal amount of RMB15,300,000 (approximately HK$15,773,000) to GMF.

The Directors confirm that the consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor and was determined by taking into account the factors as set out in the section headed "Reasons for the Acquisition" in this letter and the irrevocable and unconditional profit guarantee given by the Vendor to the Purchaser under the Deed of Variation as detailed in the section headed "The Deed of Variation" below.

The Directors, including the independent non-executive Directors, are of the view that the consideration for the Acquisition is fair and reasonable and is in the interest of the Shareholders and the Group as a whole.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon the following conditions being fulfilled and remaining fulfilled or waived (as the case may be) by the Purchaser as at the Completion:

(a) the passing by the Shareholders at the EGM of a resolution to approve the Sale and Purchase Agreement and the Deed of Variation and the transactions contemplated under the Sale and Purchase Agreement and the Deed of Variation in accordance with the Listing Rules;

(b) all consents of the Shareholders and the Stock Exchange (if applicable) having been obtained and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, the PRC and the Cayman Islands or elsewhere which are required or appropriate for the entering into and the implementation of the Sale and Purchase Agreement having been made; all waiting periods required under the laws of Hong Kong, the PRC and the Cayman Islands or any other relevant jurisdictions having expired or terminated; and all applicable statutory or other legal obligations having been complied with;

(c) the Purchaser having conducted a due diligence investigation in respect of GMF and GTC including but not limited to their affairs, business, assets, legal and financial structure and the Purchaser being satisfied with the results of such due diligence investigation in its absolute discretion;

(d) receipt by the Purchaser of a legal opinion in form and substance satisfactory to the Purchaser issued by a practising lawyer in the PRC appointed by the Purchaser confirming, inter alia, the following:

   (i) the due incorporation, valid and continued existence of GMF (including payment of its registered capital in accordance with the PRC laws and its articles of association, to the extent required);

   (ii) the due incorporation, valid and continued existence of GTC as a wholly-owned subsidiary of GMF (including payment of its registered capital in accordance with the PRC laws and its articles of association, to the extent required);

   (iii) all reasonably relevant approvals, consents, licenses and/or permits in relation to the transactions contemplated under the Sale and Purchase Agreement, including without limitation from the PRC Foreign Exchange Bureau, Industry and Commerce Bureau and the Ministry of Commerce, having been obtained;

   (iv) completion of all the legal procedures in respect of changing the legal status of GMF from a PRC domestic limited liability company to a Sino-foreign equity joint venture in full compliance with the PRC laws;

   (v) the legality, validity and enforceability of all the licenses, permits and consents necessary for carrying out the business of GMF and GTC in the PRC; and

   (vi) that the Vendor is a legal and beneficial owner of the Target Equity Interest.

(e) receipt by the Purchaser of a confirmation letter in form and substance satisfactory to the Purchaser issued by a practising certified public accountant appointed by the Purchaser confirming, inter alia, that (i) the Vendor has waived all the loans due to him by GMF and GTC and that there is no outstanding loans due by GMF and GTC to the Vendor (if applicable) as at the date of Completion; and (ii) there are no outstanding account payable, loan and amount due to any other parties by GMF and GTC as at the date of Completion;

(f) the restructuring whereby the transfer of all equity interests in GTC to GMF at nil consideration having been completed and all relevant approvals, consents and permits having been obtained;

(g) no event having occurred since the date of signing of the Sale and Purchase Agreement to the date of Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of GMF and/or GTC and such material adverse changes (or effect) shall not have been caused; and

(h) the warranties contained in the Sale and Purchase Agreement remaining true and accurate and not misleading in all material aspects and at all times between the date of the Sale and Purchase Agreement and the date of the Completion.

In the event that not all the above conditions have been fulfilled or waived by the Purchaser at its absolute discretion (other than conditions (a) and (b)) by 31 October 2007 (or by such later date(s) as the parties to the Sale and Purchase Agreement may agree in writing), the Sale and Purchase Agreement shall lapse and be of no further effect and no party to the Sale and Purchase Agreement shall have any claim against or liability or obligation (save as in respect of any antecedent breaches of the Sale and Purchase Agreement).

As at the Latest Practicable Date, none of the conditions has been fulfilled.

Completion

Subject to satisfaction of all the conditions precedent in full (save for any condition the full compliance or satisfaction of which has been waived by the Purchaser), Completion shall take place on the fifth business day from the date on which all conditions precedent are satisfied or waived. Upon the Completion, GMF will be held as to 51% by the Purchaser and 49% by the Vendor, and GTC will be wholly-owned by GMF. GMF and GTC will become subsidiaries of the Company and their financial results will be consolidated in the financial results of the Company.

The Deed of Variation

On 24 July 2007, the Purchaser entered into the Deed of Variation with the Vendor pursuant to which the Vendor irrevocably and unconditionally warrants and undertakes to the Purchaser that in the event that the aggregate Net Profit of GMF attributable to the Target Equity Interest during the Relevant Period as determined by the auditors of GMF is less than RMB30,600,000 (approximately HK$31,546,000) ("Attained Lower Profit"), then the Vendor shall pay to the Purchaser a cash sum in an amount equal to the shortfall of the Attained Lower Profit bears to RMB30,600,000 (approximately HK$31,546,000).

If GMF does not have any Net Profit or incurs a net loss during the Relevant Period as determined by the auditors of GMF, then the Vendor shall pay to the Purchaser a cash sum in the amount of RMB30,600,000 (approximately HK$31,546,000). If the aggregate Net Profit of GMF attributable to the Target Equity Interest during the Relevant Period as determined by the auditors of GMF is more than RMB30,600,000 (approximately HK$31,546,000), the Purchaser shall not be obliged to pay any excess amount to the Vendor.

INFORMATION ON GMF

GMF is a domestic limited liability company duly established in the PRC on 8 June 1999 with an authorised total investment of RMB30,000,000 and a fully paid-up registered capital of RMB3,500,000. GMF is currently held by three Independent Third Parties ("Existing GMF Shareholders") who are holding all equity interests in GMF ("GMF Equity Interest") for and on behalf of the Vendor. Each of the Existing GMF Shareholders entered into an equity transfer agreement dated 22 July 2007 with the Vendor ("Equity Transfer Agreement") pursuant to which the Existing GMF Shareholders agree to transfer to the Vendor the legal ownership in the GMF Equity Interest they held for and on behalf of the Vendor at nil consideration. The Equity Transfer Agreement has not yet been completed as at the Latest Practicable Date pending approval by the relevant government authority in the PRC.

The Existing GMF Shareholders are PRC residents who are principally engaged in operating cafe and bar as well as providing catering services in the PRC.

GMF is principally engaged in operating cafe and bar as well as providing catering services in the PRC. GMF has commenced business since its establishment until April 2005. GMF has been carrying out renovation work on its cafe and bar since April 2005. In February 2006, GMF resumed part of its business and is still conducting necessary renovation and development works on its cafe and bar before its business comes into full operation.

INFORMATION ON GTC

GTC is a domestic limited liability company to be established in the PRC with an authorised total investment of RMB33,000,000 and a registered capital of RMB3,000,000 (which has not been fully paid-up). GTC will be initially established and held by two Independent Third Parties ("Existing GTC Shareholders") who are currently incorporating GTC and will hold all equity interests in GTC ("GTC Equity Interest") for and on behalf of the Vendor. On 22 July 2007, each of the Existing GTC Shareholders entered into an equity transfer agreement with the Vendor pursuant to which they agree to transfer to the Vendor the legal ownership in the GTC Equity Interest they held for and on behalf of the Vendor at nil consideration. The establishment of GTC including full payment of its registered capital of RMB3,000,000 is expected to be completed by late September 2007 (i.e. before Completion). GTC will be principally engaged in operating cafe and bar as well as providing catering services in the PRC.

The Existing GTC Shareholders are PRC residents who are principally engaged in operating cafe and bar as well as providing catering services in the PRC.

Pursuant to the Sale and Purchase Agreement, it is a condition precedent for Completion that the Vendor shall have completed the restructuring in relation to GMF and GTC (including but not limited to full payment of the registered capital of GTC in the amount of RMB3,000,000) whereby all equity interests in GTC shall have been transferred to GMF at nil consideration and all relevant approvals, consents and permits shall have been obtained.

Save as disclosed in this circular, the Company does not have any further capital commitment or a plan for further capital commitment for GMF and GTC as at Latest Practicable Date.

FINANCIAL INFORMATION ON GMF

The accountants' report on GMF has been set out in Appendix II to this circular. Set out below is a summary of the audited financial results and net asset value of GMF for each of the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as extracted from the accountants' report on GMF:

	Year ended 31 December			**Six months ended 30 June**
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Turnover	7,560	1,495	4,106	1,591
Profit/(loss) before taxation	477	(2,882)	(1,972)	(2,761)
Net profit/(loss)	212	(2,961)	(2,243)	(2,869)
Net assets/(liabilities)	2,871	(90)	(2,333)	(5,202)

The differences of net assets value of GMF as at 31 December 2005 and 2006 and 30 June 2007 and its net results for the years ended 31 December 2005 and 2006 and the six months ended 30 June 2007 between those disclosed in the Company's announcement dated 2 August 2007 and the Accountants' Report on GMF set out in Appendix II are due to the adjustments made, during the audit process, on the financial information of GMF in respect of (i) the write-off deferred costs of GMF as at 31 December 2005 and 2006 and 30 June 2007; (ii) write-off of pre-operating expenditures of GMF during the year ended 31 December 2006 and the six months ended 30 June 2007; and (iii) understatement of rental expenses of GMF for the year ended 31 December 2006 and the six months ended 30 June 2007. The above adjustments were made as there was omission of certain accounting entries in the unaudited management accounts of GMF.

MANAGEMENT DISCUSSION AND ANALYSIS ON GMF

Review on past performance

Turnover

For each of the three years ended 31 December 2006 and the six months ended 30 June 2007, turnover of GMF was approximately RMB7,560,000, RMB1,495,000, RMB4,106,000 and RMB1,591,000 respectively. Turnover of GMF was derived from the operation of cafe and bar as well as provision of catering services in the PRC during the three years ended 31 December 2006 and the six months ended 30 June 2007. The decrease in turnover was mainly due to the carrying out of the renovation work on its cafe and bar since April 2005. Only part of the business of GMF was resumed in February 2006.

Net loss

As a result of the above, GMF only recorded a net profit of approximately RMB212,000 for the year ended 31 December 2004 and incurred a net loss of approximately RMB2,961,000, RMB2,243,000 and RMB2,869,000 for the two years ended 31 December 2006 and the six months ended 30 June 2007 respectively.

Review on financial position

Assets

The total assets of GMF as at 31 December 2004, 2005 and 2006 and 30 June 2007 were approximately RMB3,366,000, RMB12,456,000, RMB32,042,000 and RMB41,050,000 respectively. The major asset of GMF were construction in progress for the renovation of its cafe and bar of approximately nil, RMB12,355,000, RMB26,351,000 and RMB31,927,000 respectively, accounted for around nil, 99.2%, 82.2% and 77.8% of its total assets respectively. None of the assets of GMF has been charged or pledged for securing its financing.

Liabilities

As at 31 December 2004, 2005 and 2006 and 30 June 2007, the total liabilities of GMF were approximately RMB495,000, RMB12,546,000, RMB34,375,000 and RMB46,252,000 respectively. The major liabilities of GMF were amounts due to the Vendor to finance the renovation of its cafe and bar.

Liquidity and financial resources

As at 31 December 2004, 2005 and 2006 and 30 June 2007, the working capital of GMF was mainly financed by the advances from the Vendor of approximately nil, RMB12,354,000, RMB27,685,000 and RMB38,070,000 respectively. The amounts due to the Vendor were unsecured, interest free and had no fixed terms of repayment. Taking into consideration the existing financial resources, the aggregate loan of RMB30,600,000 to be extended by the Purchaser and the Vendor upon Completion and financial support from the Vendor, it is anticipated that GMF should have adequate financial resources to meet its ongoing operating and development requirements.

Gearing ratio

GMF had no interest-bearing borrowing as at 31 December 2004, 2005 and 2006 and 30 June 2007, and therefore the gearing ratio of GMF was zero.

Treasury policies

GMF had no formal treasury policy and did not entered into any form of financial arrangement for hedging during the three years ended 31 December 2006 and the six months ended 30 June 2007. To manage the liquidity risk, the management of GMF closely monitors the liquidity position to ensure that there is sufficient cash to meet its liquidity requirements by obtaining the financial support from the Vendor of not demanding for repayment of his amount due by GMF unless and until when GMF has adequate cash flow to meet its working capital requirements.

Capital structure

GMF is a domestic limited liability company established in the PRC on 8 June 1999 with authorised total investment of RMB30,000,000 and a fully paid-up registered capital of RMB3,500,000.

Foreign exchange risk management

During the three years ended 31 December 2006 and the six months ended 30 June 2007, the transactions entered into by GMF were mainly denominated in RMB. It is expected that its exposure to foreign exchange risk is minimal. Therefore, no formal foreign exchange risk management policy was adopted by GMF.

Capital commitments, charge on assets and contingent liabilities

There was no material capital commitment for GMF as at 31 December 2004. As at 31 December 2005 and 2006 and 30 June 2007, GMF had material capital commitments for acquisition of property, plant and equipment of approximately RMB5,907,000, RMB3,568,000 and RMB4,342,000 respectively. GMF will use its internal resources to finance such commitment.

As at 31 December 2004, 2005 and 2006 and 30 June 2007, none of the assets of GMF had been charged or pledged for securing its financing and no contingent liability was identified.

Employees and remuneration policies

As at 31 December 2004, 2005 and 2006 and 30 June 2007, GMF had 45, 5, 60 and 75 employees in the PRC respectively. The total of staff costs for the three years ended 31 December 2006 and the six months ended 30 June 2007 amounted to approximately RMB1,113,000, RMB495,000, RMB1,121,000 and RMB1,479,000 respectively. Employees are remunerated according to their performance and work experience.

Significant investments, material acquisition and disposals/future plans for material investments

GMF had no significant investment, acquisition and disposal for the three years ended 31 December 2006 and the six months ended 30 June 2007.

Save and except the proposed transfer of all equity interests in GTC to GMF at nil consideration pursuant to the Sale and Purchase Agreement, GMF had no plan for any significant investment, acquisition and disposal as at the Latest Practicable Date.

FINANCIAL INFORMATION ON GTC

The establishment of GTC is still in progress and no financial information is available as at the Latest Practicable Date.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the business of (i) apparel sourcing, (ii) apparel trading, and (iii) sale support services. The Acquisition provides a good opportunity for the Group to diversify its business and to look for additional income sources. Following the Completion, it is contemplated that the cafe and restaurant chains of GMF and GTC will be operated in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interest of the Group and the terms and conditions of the Acquisition are in normal commercial terms, which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Set out in Appendix III to this circular is the unaudited pro forma financial information on the Enlarged Group which illustrates the financial impact of the Acquisition on the assets and liabilities of the Group.

Upon the Completion, GMF will be held as to 51% by the Purchaser and 49% by the Vendor, and GTC will be wholly-owned by GMF. GMF and GTC will become subsidiaries of the Company and their financial results will be consolidated in the financial results of the Company.

Total assets

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group after the Acquisition, the unaudited total assets of the Enlarged Group as at 31 March 2007 were approximately HK$65,495,000, increased by approximately HK$42,320,000 from HK$23,175,000. The increase in total assets of the Enlarged Group was mainly attributable to the injection of fixed assets into to the Enlarged Group as a result of the Acquisition. For further details, please refer to Appendix III to this circular.

Total liabilities

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group after the Acquisition, the unaudited total liabilities of the Enlarged Group as at 31 March 2007 were approximately HK$39,503,000, increased by approximately HK$16,273,000 from HK$23,230,000. The increase in total liabilities of the Enlarged Group was mainly attributable to the increase in amounts due to the Vendor as a result of the Acquisition. For further details, please refer to Appendix III to this circular.

Earnings

Following the Completion, the financial results of GMF and GTC will be consolidated to the results of the Group. As set out in the financial information on GMF as contained in Appendix II to this circular, GMF only recorded a net profit of approximately RMB212,000 for the year ended 31 December 2004 and incurred net loss of approximately RMB2,961,000, RMB2,243,000 and RMB2,869,000 for the two years ended 31 December 2006 and the six months ended 30 June 2007 respectively. In the opinion of the Directors, although GMF is not profitable at this stage as its cafe and bar are still under renovation and only part of its business has resumed operations, after the completion of the renovation and its business coming into full operation, it will be able to generate profit and improve the profit attributable to Shareholders in the future.

LISTING RULES IMPLICATION

The Acquisition constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders at the EGM. As the Vendor is an Independent Third Party and has no interest in the Shares and no Shareholder has a material interest in the Acquisition which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Sale and Purchase Agreement, the Deed of Variation and the Acquisition at the EGM.

EGM

Set out on pages 100 to 101 of this circular is a notice of EGM to be held at Tianshan Room and Lushan Room, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong, at 9:30 a.m. on 10 September 2007, at which the resolution will be proposed and, if though fit, passed to approve the Sale and Purchase Agreement, the Deed of Variation and the Acquisition.

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

PROCEDURES FOR DEMANDING A POLL AT A GENERAL MEETING

Pursuant to Article no. 66 of the articles of association of the Company, every resolution put to vote of a general meeting shall be decided on a show of hands unless (before on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(a) by the chairman of such meeting; or

(b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; or

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

A poll which is duly demanded shall be then held in such manner prescribed by the articles of association of the Company.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the respective terms of the Sale and Purchase Agreement and the Deed of Variation are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the ordinary resolution to be proposed at the EGM.

MISCELLANEOUS

On 29 June 2007, the Company announced that a binding memorandum of understanding was entered into between the Company and certain Independent Third Parties on 27 June 2007 relating to the granting of a right to the Company to acquire in aggregate 29.9% of the issued share capital in Birmingham City Plc. ("Birmingham Acquisition"). On 20 July 2007, the Company further announced that the circular containing, among other things, further details of the Birmingham Acquisition and the financial information on Birmingham City Plc. is expected to be despatched to the Shareholder on or before 14 September 2007.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board
Grandtop International Holdings Limited
Hui Ho Luek, Vico
Executive Director

1. THREE-YEAR FINANCIAL SUMMARY

A summary of the audited consolidated financial information on the Group for each of the three years ended 31 March 2007 extracted from the annual report of the Company for the year ended 31 March 2007 is set out below:

Financial Summary

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated results summary			
Turnover	42,813	48,428	101,974
(Loss)/profit before taxation	(11,050)	(59,607)	11,174
(Loss)/profit attributable to equity holders of the Company	(11,050)	(79,610)	9,881

	As at 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated balance sheets summary			
Total assets	23,175	41,424	99,573
Total liabilities	(23,230)	(38,173)	(14,450)
Minority interests	—	—	(2,262)
Total equity	(55)	3,251	82,861

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 MARCH 2007

Set out below is a reproduction of the audited consolidated financial statements of the Group for the two years ended 31 March 2007, as extracted from the annual report of the Company for the year ended 31 March 2007.

Consolidated Balance Sheet
At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	7	4,594	12,103
Leasehold land	8	720	5,757
Available-for-sale financial assets	10	—	2,695
		5,314	20,555
Current assets			
Inventories	11	3,656	8,951
Trade receivables	12	5,613	5,392
Prepayment, deposit and other receivables	13	1,835	4,038
Cash and cash equivalents		6,757	2,488
		17,861	20,869
Total assets		23,175	41,424
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	3,840	3,200
Reserves	15	(3,895)	51
		(55)	3,251
Non-current liabilities			
Interest-bearing bank borrowings, secured	16	—	5,689
Deferred tax liabilities	17	167	167
		167	5,856
Current liabilities			
Interest-bearing bank borrowings, secured	16	—	261
Trade and other payables	18	3,066	3,345
Amount due to a director	19	—	8,261
Tax payables		19,997	20,450
		23,063	32,317
Total liabilities		23,230	38,173
Total equity and liabilities		23,175	41,424
Net current liabilities		(5,202)	(11,448)
Total assets less current liabilities		112	9,107
Net (liabilities)/assets		(55)	3,251

Balance Sheet
At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	7	115	145
Interests in subsidiaries	9	6,274	15,274
		6,389	15,419
Current assets			
Prepayments, deposits and other receivables	13	105	226
Cash and cash equivalents		1,206	31
		1,311	257
Total assets		7,700	15,676
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	3,840	3,200
Reserves	15	(3,326)	731
		514	3,931
Current liabilities			
Amounts due to subsidiaries	9	5,241	8,484
Trade and other payables	18	1,945	469
Amount due to a director	19	—	2,792
		7,186	11,745
Total liabilities		7,186	11,745
Total equity and liabilities		7,700	15,676
Net current liabilities		(5,875)	(11,488)
Total assets less current liabilities		514	3,931
Net assets		514	3,931

Consolidated Income Statement
For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	6	42,813	48,428
Cost of sales		(36,597)	(38,892)
Gross profit		6,216	9,536
Other revenue	6	3,683	431
Selling expenses		(1,924)	(2,911)
Administrative expenses		(16,745)	(19,413)
Impairment of goodwill		—	(5,524)
Impairment loss on trade receivables		(583)	(4,685)
Impairment loss on prepayments, deposits and other receivables		—	(4,745)
Impairment loss on available-for-sale financial assets		(1,320)	(33,245)
Loss from operations	20	(10,673)	(60,556)
Finance costs	22	(48)	(149)
(Loss)/gain on disposal of subsidiaries		(329)	1,098
Loss before taxation		(11,050)	(59,607)
Taxation	23	—	(20,003)
Loss for the year		(11,050)	(79,610)
Attributable to:			
Equity holders of the Company		(11,050)	(79,610)
Dividends	25	—	—
Loss per share for loss attributable to the equity holders of the Company during the year			
Basic	26	HK$0.034	HK$0.249
Diluted		N/A	N/A

Consolidated Statement of Changes in Equity
For the year ended 31 March 2007

	Attributable to the equity holders of the Company						
	Share capital	Contributed surplus	Share premium	Retained profit/ (Accumulated losses)	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	3,200	(85)	25,146	54,600	82,861	2,262	85,123
Disposal of a subsidiary	—	—	—	—	—	(2,262)	(2,262)
Loss for the year	—	—	—	(79,610)	(79,610)	—	(79,610)
At 31 March 2006 and at 1 April 2006	3,200	(85)	25,146	(25,010)	3,251	—	3,251
Placing of shares	640	—	—	—	640	—	640
Share premium arising on placing of shares	—	—	7,104	—	7,104	—	7,104
Loss for the year	—	—	—	(11,050)	(11,050)	—	(11,050)
At 31 March 2007	3,840	(85)	32,250	(36,060)	(55)	—	(55)

Consolidated Cash Flow Statement
For the year ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(11,050)	(59,607)
Adjustments for:		
Depreciation	1,226	3,147
Amortisation of leasehold land	450	484
Impairment of property, plant and equipment	907	169
Provision on obsolete inventories	—	6,689
Written back of provision on obsolete inventories	(2,597)	—
Impairment loss on loan receivables	—	2,000
Impairment loss on investment deposits	—	2,745
Impairment of goodwill	—	5,524
Impairment loss on available-for-sale financial assets	1,320	33,245
Impairment loss on trade receivables	583	4,685
Reversal of impairment loss on trade receivables	(3,659)	—
Dividend income received from available-for-sale financial assets	—	(191)
Loss/(gain) on disposal of subsidiaries	329	(1,098)
Interest income	(24)	(240)
Finance cost	48	149
Operating cash flows before movements in working capital	(12,467)	(2,299)
Decrease/(increase) in inventories	7,892	(4,337)
Increase in trade receivables	(211)	(1,108)
Decrease in prepayment, deposit and other receivables	5,582	2,029
Decrease in trade and other payables	(279)	(3,060)
Cash generated from/(used in) in operations	517	(8,775)
Interest received	24	240
Profits tax paid	(453)	(727)
Net cash generated from/(used in) operating activities	88	(9,262)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(286)	(723)
Dividend received from available-for-sales financial assets	—	191
Cash effect on disposal of subsidiaries	105	174
Net cash used in investing activities	(181)	(358)

	2007	2006
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Proceeds from placing of shares	7,744	—
Repayment of mortgage loan	(46)	(250)
Advance from a director	—	8,261
Repayment of advance from a director	(3,288)	—
Finance costs	(48)	(149)
Net cash generated from financing activities	4,362	7,862
Net increase/(decrease) in cash and cash equivalents	4,269	(1,758)
Cash and cash equivalents at beginning of the year	2,488	4,246
Cash and cash equivalents at the end of the year		
Bank balance and cash	6,757	2,488

Notes to the Financial Statements

31 March 2007

1. General

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on Stock Exchange. The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 3008, 30/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

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

In the opinion of the Directors, the holding company of the Company is Huge Gain Development Limited, which is incorporated in British Virgin Islands.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"), amendments of Hong Kong Accounting Standards ("HKASs") and interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective either for accounting periods beginning on or after 1 December 2005 or 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting period have been prepared and presented. Accordingly, no prior period adjustment has been required.

The HKICPA has issued the following new standards, amendments and interpretations that are not yet effective for the year ended 31 March 2007 and which have not been adopted in these consolidated financial statements. The Group has considered the following new standards, amendments and interpretations but does not expect they will have a material effect on the results of operations and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — INT 8	Scope of HKFRS 2[3]
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) — INT 11	HKFRS 2 — Group and Treasury Share Transactions[6]
HK (IFRIC) — INT 12	Service Concession Arrangement[7]

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2009.
3. Effective for annual periods beginning on or after 1 May 2006.
4. Effective for annual periods beginning on or after 1 June 2006.
5. Effective for annual periods beginning on or after 1 November 2006.
6. Effective for annual periods beginning on or after 1 March 2007.
7. Effective for annual periods beginning on or after 1 January 2008.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value. The consolidated financial statements also include applicable disclosures required by Listing Rules and by the Hong Kong Companies Ordinance.

The preparation of financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5 to the financial statements.

For the year ended 31 March 2007, the Group incurred a loss of HK$11,050,000 (2006: HK$79,610,000) and as of that date, the Group's current liabilities exceed its current assets by approximately HK$5,202,000 (2006: HK$11,448,000). Notwithstanding the adverse financial position of the Group as at 31 March 2007, the Directors have prepared these financial statements on a going concern basis after considering the following future liquidity of the Group:

(i) On 23 April 2007, the Company entered into an underwriting agreement to raise approximately HK$38,400,000, 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. The open offer had been completed on 7 June 2007; and

(ii) On 20 June 2007, the Company entered into a placing agreement to raise approximately HK$65,700,000, before expenses, by issuing 115,200,000 placing shares at a price of HK$0.57 each and completed on 11 July 2007.

(iii) On 13 July 2007, the Company entered into the placing agreement with the placing agent pursuant to which the Company appointed the placing agent as sole and exclusive placing agent to procure not fewer than six placees to subscribe for up to 138,240,000 warrants, on a fully underwritten basis, at the issue price of HK$0.10 per warrant. The net proceeds of approximately HK$13,200,000 has been raised by the issuance of warrants.

(b) Basis of consolidation

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

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.

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.

(c) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

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

(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 are included in the fair value reserve in equity.

iii. Group companies

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

(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, 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) Financial assets

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 investment

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 twelve 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.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(i) 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 loss on 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.

(j) Cash and cash equivalent

Cash and cash equivalents include cash in 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.

(k) 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 losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(l) 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 that 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.

(m) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing and funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

(n) 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 reliably, on the following bases:

i. Revenue derived from the provision of sales support services is recognised when services are performed and upon each shipment made by the Group's Hong Kong garment and fashion manufacturing clients to the United States of America;

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, 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.

(o) 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 is reviewed at each balance sheet date and reduced to the extent that it is no longer 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.

(p) Operating leases

Leases where substantially all the rewards and risks 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.

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

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 recognizes 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 twelve 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 is 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.

(r) 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.

(s) Related parties transactions

A party is considered to be related 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.

4. Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity 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.

Market risk

(a) 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 United States dollars. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. Hong Kong dollars are pegged to United States dollars and the foreign exchange exposure between them are considered limited.

(b) 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.

(c) Price risk

The Group is not exposed to commodity price risk.

Credit risk

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

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.

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) 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.

(b) 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.

(c) 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 And Segment Information

Turnover

The Group's turnover comprised of the followings:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Apparel sourcing	982	4,524
Apparel trading	41,831	43,904
	42,813	48,428

Other Revenue

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Bank interest income	24	240
Dividend income received from available-for-sales financial assets	—	191
Reversal of provision for impairment loss on trade receivables	3,659	—
	3,683	431

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 from 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.

Business Segments

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

	Apparel Sourcing		Apparel Trading		Sales Support Services		Consolidated Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
Sales to external customer	982	4,524	41,831	43,904	—	—	42,813	48,428
Segment results	(2,773)	(3,252)	(3,457)	(14,236)	—	—	(6,230)	(17,488)
Other revenue							24	431
Unallocated expenses							(4,467)	(43,499)
Loss from operation							(10,673)	(60,556)
(Loss)/Gain on disposal of subsidiaries							(329)	1,098
Finance costs							(48)	(149)
Loss before taxation							(11,050)	(59,607)
Taxation							—	(20,003)
Loss for the year							(11,050)	(79,610)
Loss from ordinary activities attributable to the equity holders of the Company							(11,050)	(79,610)
Assets								
Segment assets	5,525	3,654	13,656	25,524	—	52	19,181	29,230
Unallocated assets							3,994	12,194
Total assets							23,175	41,424
Liabilities								
Segment liabilities	269	2,821	894	9,317	19,918	—	21,081	12,138
Unallocated liabilities							2,149	26,035
Total liabilities							23,230	38,173
Other segment information:								
Capital expenditure	—	—	260	439	—	—	260	439
Unallocated capital expenditures							26	284
							286	723

	Apparel Sourcing		Apparel Trading		Sales Support Services		Consolidated Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation and amortisation	365	722	676	1,824	—	426	1,041	2,972
Unallocated depreciation and amortisation							635	659
							1,676	3,631
Impairment loss on property, plant and equipment	909	—	—	—	—	169	909	169
Other non-cash expenses	583	3,595	—	11,241	—	169	583	15,005
Unallocated other non-cash expenses							1,320	43,514
							1,903	58,519

Geographical Segments

	Segment Revenue		Segment Results	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	3,291	13,202	(2,574)	(4,653)
Russia	—	1,052	—	(253)
South Korea	—	1,545	—	(1,541)
Panama	—	1,006	—	(562)
USA	—	1,421	—	(1,428)
PRC	19,290	8,954	(937)	(1,062)
Macau	20,232	21,248	(2,719)	(7,989)
	42,813	48,428	(6,230)	(17,488)

	Segment Assets		Segment Liabilities	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	16,272	31,692	21,316	29,995
Macau	6,903	9,732	1,914	8,178
	23,175	41,424	23,230	38,173

7. Property, Plant and Equipment

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
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 and at 1 April 2006	7,015	6,146	1,673	1,047	753	16,634
Additions	—	162	83	41	—	286
Disposals	—	—	—	—	(753)	(753)
Disposal of subsidiaries	(4,915)	(1,277)	(299)	—	—	(6,491)
At 31 March 2007	2,100	5,031	1,457	1,088	—	9,676
Accumulated depreciation:						
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 and at 1 April 2006	578	1,499	859	673	753	4,362
Charge for the year	75	899	178	74	—	1,226
Disposals	—	—	—	—	(753)	(753)
Disposals of subsidiaries	(382)	(362)	(87)	—	—	(831)
At 31 March 2007	271	2,036	950	747	—	4,004
Impairment:						
At 1 April 2005	—	—	—	—	—	—
Charge for the year	—	—	49	120	—	169
At 31 March 2006 and at 1 April 2006	—	—	49	120	—	169
Charge for the year	—	909	—	—	—	909
At 31 March 2007	—	909	49	120	—	1,078
Net book value:						
At 31 March 2007	1,829	2,086	458	221	—	4,594
At 31 March 2006	6,437	4,647	765	254	—	12,103

Notes:

(i) All the Group's buildings are located in Hong Kong under long-term leases.

(ii) As at 31 March 2007, the Group's buildings with carrying amount of HK$Nil (2006: HK$4,612,000) were pledged to secure a mortgage loan granted to the Group (Note 16).

The Company

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
Cost:			
At 1 April 2005, 31 March 2006 and at 1 April 2006	157	127	284
Additions	—	26	26
At 31 March 2007	157	153	310
Accumulated depreciation:			
At 1 April 2005	31	25	56
Charge for the year	52	31	83
At 31 March 2006 and at 1 April 2006	83	56	139
Charge for the year	31	25	56
At 31 March 2007	114	81	195
Net book value:			
At 31 March 2007	43	72	115
At 31 March 2006	74	71	145

8. Leasehold Land

The Group

	2007 *HK$'000*	**2006** *HK$'000*
Cost:		
At 1 April 2006/2005	7,115	7,115
Disposal of subsidiaries	(4,765)	—
At 31 March 2007/2006	2,350	7,115
Accumulated amortisation:		
At 1 April 2006/2005	1,358	874
Charge for the year	450	484
Disposal of subsidiaries	(178)	—
As at 31 March 2007/2006	1,630	1,358
Net Book Value:		
At 31 March 2007/2006	720	5,757

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

	2007	**2006**
	HK$'000	*HK$'000*
Land held in Hong Kong on:		
Long-term leases	720	5,757

Note: As at 31 March 2007, the Group's leasehold land with carrying amount of HK$Nil (2006: HK$4,606,000) were pledged to secure a mortgage loan granted to the Group (Note 16).

9. Interests In Subsidiaries

The Company

	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	22,316	22,316
Less: Impairment loss on interests in subsidiaries	(16,042)	(7,042)
	6,274	15,274
Amounts due from subsidiaries	—	22,641
Less: Impairment loss on amounts due from subsidiaries	—	(22,641)
	—	—
	6,274	15,274

Name of subsidiary	**Place of incorporation/ registration**	**Particular of issued and paid up capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			2007	*2006*	
Directly held					
Sun Ace Group Limited	British Virgin Islands ("BVI")	US$1 Ordinary	100%	100%	Investment holding
Fanlink Far East 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
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 sourcing and trading (Overseas based)

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.

10. Available-For-Sale Financial Assets

The Group

	2007	2006
	HK$'000	*HK$'000*
Held for non-trading purpose:		
Listed equity securities — Hong Kong, at cost	1,320	31,260
Listed equity securities — outside Hong Kong, at cost	—	4,680
	1,320	35,940
Impairment loss on available-for-sale financial assets	(1,320)	(33,245)
	—	2,695

11. Inventories

The Group

	2007	2006
	HK$'000	*HK$'000*
Finished goods	7,748	15,640
Less: Provision of obsolete inventories	(4,092)	(6,689)
	3,656	8,951

Note: At the balance sheet date, all inventories were carried at cost.

12. Trade Receivables

The Group

The Group's general credit terms granted to its customers ranged from 0-60 days (2006: 0-60 days). The following is an aged analysis of the trade receivables at the balance sheet date.

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	4,291	3,586
Between 31 days to 60 days	1,636	1,806
Between 61 days to 1 year	1,295	4,685
	7,222	10,077
Less: Provision for impairment loss on trade receivables	(1,609)	(4,685)
	5,613	5,392

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

13. Prepayment, Deposit and other Receivables

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayment	1,536	2,096	105	226
Rental and utility deposits	299	1,910	—	—
Other receivables	—	32	—	—
	1,835	4,038	105	226

Note: The fair value of the Group's prepayment, deposit and other receivables as at 31 March 2007 approximately to the corresponding carrying amount.

14. Share Capital

The Company

Ordinary shares of HK$0.01 each	**Number of shares**	**Nominal value**
	'000	*HK$'000*
Authorised:		
31 March 2007/2006	10,000,000	100,000
Issued and fully paid:		
At 1 April 2005, 31 March 2006 and at 1 April 2006	320,000	3,200
Placing of shares *(Note i)*	64,000	640
At 31 March 2007	384,000	3,840

Notes:

(i) On 6 February 2007, the Company entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue an aggregate of 64,000,000 ordinary shares at a price of HK$0.121 each. The placing of shares had been completed on 5 March 2007.

(ii) All new shares issued ranked pari passu with the then existing shares in all respects.

15. Reserves

The Group

	Contributed surplus HK$'000 (Note i)	Share premium HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2005	(85)	25,146	54,600	79,661
Loss for the year	—	—	(79,610)	(79,610)
At 31 March 2006 and At 1 April 2006	(85)	25,146	(25,010)	51
Share premium arising on placing of shares	—	7,104	—	7,104
Loss for the year	—	—	(11,050)	(11,050)
At 31 March 2007	(85)	32,250	(36,060)	(3,895)

The Company

	Contributed surplus HK$'000 (Note ii)	Share premium HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
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 and At 1 April 2006	22,116	25,146	(46,531)	731
Share premium arising on placing of shares	—	7,104	—	7,104
Loss for the year	—	—	(11,161)	(11,161)
At 31 March 2007	22,116	32,250	(57,692)	(3,326)

Notes:

(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 2007 and 2006.

16. Interest-Bearing Bank Borrowings — Secured

The Group

	2007	2006
	HK$'000	*HK$'000*
Mortgage loan repayable:		
Within one year or on demand	—	261
In the second year	—	264
In the third to fifth years, inclusive	—	827
Beyond five years	—	4,598
	—	5,950
Portion classified as current liabilities	—	(261)
Long term portion	—	5,689

Notes:

(i) As at 31 March 2007, the Group does not have any interest-bearing bank borrowings.

(ii) As at 31 March 2006, the Group's interest-bearing bank borrowings was secured by the followings:

(a) Legal charge over the leasehold land and buildings of the Group with an aggregate net book value of approximately HK$9,218,000 and

(b) Personal guarantee executed by a director of the Company.

17. Deferred Taxation

The Group

The movement of deferred tax liabilities arising from accelerated tax depreciation is as follows:

	2007	2006
	HK$'000	*HK$'000*
At 1 April 2006/2005	167	167
Deferred tax charged for the year	—	—
At 31 March 2007/2006	167	167

At 31 March 2007, there was no significant unrecognised deferred tax liabilities (2006: 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.

18. Trade and other Payables

	The Group		**The Company**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables				
Within 90 days	727	1,628	—	—
Within 91 days to 180 days	190	727	—	—
	917	2,355	—	—
Accrued expenses due within 30 days or on demand	2,149	990	1,945	469
	3,066	3,345	1,945	469

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

19. Amount due to a Director

Amount due to a director is unsecured, non-interest bearing and repayable on demand. The amount was secured by the corporate guarantee executed by the Company. The corporate guarantee had been released upon the full settlement of the amount due to a director during the year.

20. Loss from Operations

Loss from operations is arrived at after charging:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Amortisation of leasehold land	450	484
Auditors' remuneration	450	660
Cost of goods sold	36,597	38,892
Depreciation	1,226	3,147
Employee benefit expenses *(Note 21)*	5,577	3,172
Impairment loss on loan receivables	—	2,000
Impairment loss on investment deposits	—	2,745
Operating lease rental in respect of rental premises	1,113	1,163
Provision for obsolete inventories	—	6,689

21. Employee Benefit Expenses

The Group

(a) *Employee benefit expenses are analysed as follows:*

	2007 *HK$'000*	2006 *HK$'000*
Wages, salaries and allowance	5,329	2,981
Retirement benefit contributions	248	191
	5,577	3,172

(b) *Directors' emoluments*

	Fee		Salaries, bonus and other benefits		Pension scheme contributions		Total	
	2007 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*
Executive directors								
Lee Yiu Tung (i)	—	—	90	—	—	—	90	—
Bessie Siu (ii)	—	—	160	—	8	—	168	—
Mao Yue (iii)	—	—	—	240	—	12	—	252
Tsai Lai Wa, Jenny (iv)	—	—	—	—	—	—	—	—
Edmund Siu (v)	—	—	—	120	—	6	—	126
	—	—	250	360	8	18	258	378
Non-executive director								
Fu Wing Kwok, Ewing (vi)	—	—	—	—	—	—	—	—
Alternate director								
Peter Christopher Tashjian (vii)	—	—	—	—	—	—	—	—
Independent non-executive directors								
Chang Kin Man (viii)	—	—	90	—	—	—	90	—
Ip Wing Lun (ix)	—	—	30	—	—	—	30	—
Zhou Han Ping (x)	—	—	10	—	—	—	10	—
Fu Wing Kwok, Ewing	—	100	—	—	—	—	—	100
Lo Wing Yan, Emmy (xi)	—	100	—	—	—	—	—	100
Liang Kwong Lim (xii)	—	100	—	—	—	—	—	100
	—	300	130	—	—	—	130	300
	—	300	380	360	8	18	388	678

Notes:

(i) Mr. Lee Yiu Tung (appointed on 13 June 2006)

(ii) Ms. Bessie Siu (appointed on 25 April 2006)

(iii) Ms. Mao Yue (resigned on 28 February 2007)

(iv) Ms. Tsai Lai Wa, Jenny (resigned on 21 August 2006)

(v) Mr. Edmund Siu (resigned on 12 July 2006)

(vi) Mr. Fu Wing Kwok, Ewing (re-designated from independent non-executive director to non-executive director on 12 July 2006)

(vii) Mr. Peter Christopher Tashjian (appointed on 11 July 2006 and resigned on 21 August 2006)

(viii) Mr. Chang Kin Man (appointed on 13 June 2006)

(ix) Mr. Ip Wing Lun (appointed on 5 December 2006)

(x) Mr. Zhou Han Ping (appointed on 28 February 2007)

(xi) Ms. Lo Wing Yan, Emmy (resigned on 5 December 2006)

(xii) Mr. Liang Kwok Lim (resigned on 28 February 2007)

The remuneration of all of the directors fell within the nil to HK$500,000 band for the two years ended 31 March 2007 and 2006.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2006: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2006: four) individuals were follows:

	2007	**2006**
	HK$'000	*HK$'000*
Wages, salaries and allowance	629	580
Retirement benefit contributions	34	21
	663	601

The emoluments on each of the remaining four (2006: four) highest paid individuals fell within the nil to HK$500,000 band for the two years ended 31 March 2007 and 2006.

22. Finance Costs

The Group

	2007	2006
	HK$'000	*HK$'000*
Bank charges	7	15
Mortgage loan interest wholly repayable over five years	41	134
	48	149

23. Taxation

The Group

	2007	2006
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year — Hong Kong	—	85
Charge for the year — overseas	—	—
Provision for estimated assessments of tax liabilities	—	19,918
Total tax charge for the year	—	20,003

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries either incurred taxation loss or had no assessable profit for the year (2006: 17.5%).

For the year ended 31 March 2006, the Hong Kong Inland Revenue Department ("IRD") issued certain estimated assessments for tax liabilities of aggregate 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 of the Company 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. For the year ended 31 March 2007, no further estimated assessment has been issued by the IRD against the subsidiary of the Company.

A reconciliation of the tax expense applicable to 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 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:

	Hong Kong		Overseas		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss before taxation	(7,587)	(49,322)	(3,463)	(10,285)	(11,050)	(59,607)
Tax at domestic tax rate	(1,328)	(8,631)	(519)	(1,543)	(1,847)	(10,174)
Tax effect of expenses not deductable for tax purpose	604	8,791	101	1,063	705	9,854
Tax effect of income not taxable for tax purpose	—	(75)	(549)	—	(549)	(75)
Provision for tax liabilities	—	19,918	—	—	—	19,918
Tax effect of unrecognised tax losses	724	—	967	480	1,691	480
Tax charge for the year	—	20,003	—	—	—	20,003

24. Loss from Ordinary Activities Attributable to Shareholders

The Group's consolidated loss attributable to shareholders was approximately HK$11,050,000 (2006: HK$79,610,000) of which net loss of approximately HK$11,161,000 (2006: HK$41,527,000) was dealt with in the financial statements of the Company.

25. Dividends

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

26. Loss Per Share

The calculation of the basic loss per share is based on the loss attributable to the Company's equity holders of approximately HK$11,050,000 (2006: HK$79,610,000) and on weighted average number of shares of approximately 329,468,493 (2006: 320,000,000) shares in issue during the year.

There were no potential shares in existence for the year ended 31 March 2007 and 2006, and, accordingly, no diluted loss per share has been presented.

27. Disposal of Subsidiaries

The Group

	2007	2006
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	5,660	1,783
Leasehold land	4,587	—
Available-for-sales financial assets	1,376	—
Prepayments, deposits and other receivables	154	59
Cash and cash equivalent	15	26
Interest bearing bank borrowings	(5,950)	—
Trade and other payables	(5,393)	(504)
Minority interests	—	(2,262)
	449	(898)
(Loss)/Gain on disposal of subsidiaries	(329)	1,098
Consideration satisfied by cash	120	200

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

	2007	2006
	HK$'000	*HK$'000*
Cash consideration received	120	200
Cash and cash equivalent disposed of	(15)	(26)
Net cash inflow in respect of the disposal of subsidiaries	105	174

The subsidiaries disposed of during both years ended 31 March 2007 and 2006 did not contribute significantly to the Group's cashflow and did not have material impact on the Group's results as a whole.

28. Employee Benefits

Retirement Benefit Scheme

The Group joined the MPF Scheme for its employees whose employed in Hong Kong after 1 December 2000. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

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 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;

(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 grantee under the Share Option Scheme.

Subsequent to the balance sheet date, on 7 June 2007, the Company granted a total of 24,000,000 options under the Share Option Scheme. Details of which are set out as follows:

Holder	**Number of options**	**Exercise price per share**	**Date of grant**	**Expiry date**	**Price of Company's share at date of grant**
		HK$			*HK$*
Li Bo	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Suen Wei Ming	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Li Mei	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Xie Hai Bing	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Zhu Hong Wei	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Jiang Feng	3,840,000	0.50	7 June 2007	6 June 2017	0.49
Li Chuan Zhong	960,000	0.50	7 June 2007	6 June 2017	0.49

29. Operating Lease Commitment

The Group

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

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	319	842
In the second to fifth years, inclusive	288	1,096
	607	1,938

30. Contingent Liabilities

A writ was 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 was not aware of such alleged payments and had instructed lawyers to deal with the matter. The Board of directors is in the opinion the claim is not justifiable and without merit.

Save as disclosed above, the Group did not have any material contingent liabilities as at 31 March 2007 and 2006.

31. Material Related Party Transactions

During the year, the Group had significant transaction with the following related parties, together with balances with them at the respective balance sheet date, details of which are as follows:

(i) Balances with related parties

	2007	**2006**
	HK$'000	*HK$'000*
Amount due to a director	—	8,261

The amount due to a director was secured by the corporate guarantee provided by the Company. The corporate guarantee had been released following on the full settlement of the balance to the director during the year.

(ii) 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 21 to the financial statements, is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other short-term benefits	380	660
Pension scheme contributable	8	18
	388	678

32. Subsequent Events

(i) On 23 April 2007, the Company entered into an underwriting agreement to raise approximately HK$38,400,000, 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. The open offer had been completed on 7 June 2007;

(ii) On 20 June 2007, the Company entered into a placing agreement to raise approximately HK$65,600,000, before expenses, by issuing 115,200,000 placing shares at a price of HK$0.57 each and completed on 11 July 2007;

(iii) On 27 June 2007, the Company entered into the binding Memorandum of Understanding with Mr. David Sullivan, Mr. David Gold, Mr. Ralph Gold, Ms. Karren Brady and Mr. Roger Bannister (collectively the "Vendor") whereby the Vendors have granted the Company the right to purchase an aggregate 29.90% of the issued capital of Birmingham City Plc. from them or their nominees for an aggregate price of approximately HK$233,220,000. The transaction on the acquisition of 29.90% issued capital of Birmingham City Plc. has been completed on 16 July 2007; and

(iv) On 13 July 2007, the Company entered into the placing agreement with the placing agent pursuant to which the Company appointed the placing agent as sole and exclusive placing agent to procure not fewer than six placees to subscribe for up to 138,240,000 warrants, on a fully underwritten basis, at the issue price of HK$0.10 per warrant. The net proceeds of approximately HK$13,200,000 has been raised by the issuance of warrants.

33. Approval of Financial Statements

The financial statements were approved by the Board on 26 July 2007.

3. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

The following is the reproduction of the management discussion and analysis as contained in the annual report of the Company for the year ended 31 March 2007:

Results

For the year ended 31 March 2007, the Group recorded a consolidated turnover of approximately HK$42.8 million, which represented an approximately 11.6% decrease as compared to the previous year of approximately HK$48.4 million. Such decrease was mainly due to a change in the Group's focus from apparel sourcing to apparel trading business during the year. In current year, apparel sourcing business accounted for approximately 2.3% to the Group's total turnover while it was approximately 9.3% in previous year. Such change was to minimise further loss attributable to the apparel sourcing business.

During the year under review, the gross profit margin of the Group was approximately 14.5% while it was approximately 19.7% in previous year. The decrease in the gross profit margin was mainly due to increase in cost of sales in the Group's apparel trading business which faced a fierce competition in price and increase in demand of quality in both Hong Kong and Macau markets during the year.

In view of the increase in cost of sales from the Group's apparel trading business, the Group had implemented several remedial measures to better control in its operating costs. In particular, the Group had formulated a credit and inventories control team to closely monitor outstanding debts and inventories level. As a result, the impairment loss on trade receivables and provision of obsolete inventories were significantly reduced during the year under review.

By implementing those remedial measures, both operating and administrative expenses had been successfully controlled and improved during the year and the Group's net loss in current year had been narrowed from approximately HK$79.6 million in previous year to approximately HK$11.1 million in current year. Consequently, the loss per share attributable to the shareholders of the Company had been improved from HK$0.249 in previous year to HK$0.034 for the current year.

During the year under review, most of the Group's revenue was mainly derived from the PRC, Hong Kong, and Macau markets and accounted for approximately 45%, 7.7% and 47.3% to the Group's total turnover.

Review of Operations

Divisional Operating Performance

The Group's principal activities are engaged in (i) apparel sourcing, (ii) apparel trading and (iii) provision of sales support services. Turnover derived from these three operations are accounted for approximately 2.3%, 97.7% and 0% of the Group's total turnover respectively (2006: 9.3%, 90.7% and 0%). During the year under review, the Group had minimised the apparel sourcing and sales support businesses and focused on apparel trading business. The details on the review of each business operation are discussed below:

Apparel Sourcing

During the year under review, turnover derived from the Group's apparel sourcing business was approximately HK$1.0 million, represented a decrease of approximately 78% as compared to the previous year of approximately HK$4.5 million. The Group also recorded a loss of approximately HK$2.8 million from the apparel sourcing business in the current year.

Following on booming economic condition in both Hong Kong and Macau, the purchasing power from customers in both Hong Kong and Macau markets increased significantly during the year under review. Such booming market condition attracts local competitors entering into the apparel sourcing market and lead to the increase in competition in terms of price and quality of the apparel products, consequently, the profit margin of the Group's apparel sourcing business was adversely affected.

In view of low profit margin and significant resources were required to operate the apparel sourcing business such as sales team and other operating costs, the Group's decided to mininise the apparel sourcing business in order to avoid further losses. As a result, turnover derived from the Group's apparel sourcing business was significantly decreased as compared to previous year. The Group will closely monitor the market situation in both Hong Kong and Macau and will reallocate more resources in the apparel sourcing business in the future when the adverse effect from the increase in competition has diminished.

Sales Support Services

During the year under review, the sales support services business remained inactive during the year and therefore no turnover derived from the provision of sales support services. Following from the cessation of the quota system for textile products export to the United States, there was a lack of demand from customers for the Group's sales support services. The Group is currently in the process to consider the restructuring of the sales support services business by providing other additional value added services for customers to export their products to the United States and other countries.

Apparel Trading

Apparel trading business was the core business of the Group which comprised of wholesales and retails of apparel products in the PRC, Hong Kong and Macau. For the year ended 31 March 2007, turnover derived from the apparel trading business was approximately HK$41.8 million, represented a decrease of approximately 5% as compared to previous year. Such decrease was mainly due to closure of retails outlet in Hong Kong during the year under review. The main reason was due to the expiry of the rental lease and a significant increase in rental anticipated for renewing the lease. After considering the cost budget of the retails section in Hong Kong, the Group decided to close down the retails outlet in Hong Kong. The Group will closely monitor the market condition in Hong Kong and will look for other suitable place to resume the retails section in Hong Kong.

During the year under review, the Group's apparel trading business recorded a loss of approximately HK$3.5 million which was mainly due to the increase in the cost of apparel products and significant increase in salaries and allowances. Nevertheless, the loss of approximately HK$3.5 million has been improved from approximately HK$14.2 million in previous year. The reason for such improvement was mainly due to significant decrease in the impairment of trade receivable and provision of obsolete inventories which was as a result of better control of the inventories level and recovery of the outstanding debts.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2007 (2006: Nil).

Capital Structure

It is the intention of the Group to maintain a strong and stable financial position to ensure an efficient capital structure over time. As at 31 March 2007, the Group had total assets of approximately HK$23.2 million (2006: HK$41.4 million), comprising non-current assets of approximately HK$5.3 million (2006: HK$20.6 million) and current assets of approximately HK$17.9 million (2006: HK$20.9 million).

As at 31 March 2007, total debts of the Group amounted to approximately HK$23.2 million, represented a decrease of 39.1% as compared to previous year of approximately HK$38.2 million. Such decrease was mainly due to release of mortgage loan upon disposal of certain subsidiaries during the year. Apart from this, there was no significant change in the Group's debt structure and the current year's total debts remained fairly stable as compared to that of previous year. As at 31 March 2007, total debts of the Group mainly consisted of trade payables and other payables of approximately HK$3.1 million and tax payable (including current and deferred taxation) of approximately HK$20.2 million.

The current ratio, representing current assets divided by current liabilities, has been improved from previous year of 0.65 to the current year of 0.77. The quick ratio also improved from last year of 0.37 to the current year of 0.62. The improvement in both current ratio and quick ratio was mainly as a result of increase in cash and bank balances and the reduction in current liabilities during the current year. The Group remained fairly low level of debts and the directors considered that the Group has sufficient cash flow to settle all the debts when they fall due.

As at 31 March 2007, the shareholders have deficit of approximately HK$55,000 while it was approximately HK$3.3 million surplus in the previous year.

Liquidity and Financial Resources

It is the intention to manage its cash and bank balances and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. Cash and bank balances of the Group as at 31 March 2007 were approximately HK$6.8 million, represented an increase of 1.7 times as compared to the previous year of approximately HK$2.5 million. After considering the strong cash position as at 31 March 2007 and various fund raising exercises such as open offer and cash placement subsequent to the balance sheet date, the directors have considered that the Group maintains a healthy liquidity position and is able to settle all the debts when they fall due.

The Group generally financed its operations and serviced its debts primarily through internally generated cash flows from its operations. As at 31 March 2007, the Group did not have any outstanding bank borrowings (2006: approximately HK$6.0 million).

The Group had contingent liabilities of approximately HK$3 million as at balance sheet date which alleged claim for reimbursement of expenses paid by its former senior management on behalf of the Company and its subsidiary. Further details in connection with the above contingent liabilities have been disclosed in note 30 to the financial statements.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 31 March 2007, substantially all of the monetary assets of the Group were comprised of cash and bank balance and trade receivables, which denominated in Hong Kong dollars and Renminbi. As the exchange rates of Hong Kong dollars against Renminbi were considered relatively stable during the year, the Group's exposure to fluctuations in exchange rates was minimal. In addition, the Group did not have any foreign currency investment which has been hedged by currency borrowings and other hedging instruments. The Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

Pledge and Charge of Group Assets

As at 31 March 2007, the Group did not have assets pledged to secure any outstanding borrowings (2006: approximately HK$9.2 million).

Human Resources

As at 31 March 2007, the Group employed 32 employees. The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors and the Company's remuneration committee. Apart from the provident fund scheme, medical insurance scheme, discretionary bonuses and share options may also be awarded to employees according to the assessment of individual performances. During the year under review, the Group has not encountered any problem with the recruitment of its employees. None of the companies in the Group has experienced any labour disputes during the year and the directors of the Company consider that the Group has maintained an excellent employment relationship.

4. BUSINESS PROSPECTS OF THE ENLARGED GROUP

In view of both Hong Kong and Macau are experiencing an impressive economic growth, the purchasing power from customers is anticipated to increase in coming years. Although the Enlarged Group's apparel sourcing and apparel trading business faced a comprehensive challenge from local competitors, the Enlarged Group will take every step to overcome the challenge by restructuring the cost structure as well as formulating new business plans to expand revenue by entering into trading of high margin apparel products in the future.

In addition to focusing on the Enlarged Group's apparel trading business, the Enlarged Group will implement new business strategy to expand the Enlarged Group's business model in the future. In July 2007, the Enlarged Group has a proposed acquisition of 29.9% equity interests in Birmingham City Plc. which operates a well established football club and play in the top division — Premier League in England. Following on the acquisition, the Enlarged Group will be benefited from supply and source apparel, accessories and related products for Birmingham Football Club in the future. Moreover, the Company has appointed a former England international football player - Steven McManaman to be an executive director of the Company. Mr. McManaman played in a career spanning two of European Football's biggest clubs in Liverpool F.C. and Real Madrid F.C. and accumulated substantial experience in the management of football club and its continuing development. Together with his indepth knowledge in football industry, the Enlarged Group is confident that the newly acquired associate — Birmingham City Plc. will bring positive return to the Enlarged Group and its shareholders in the future.

The Directors also consider that, as a result of the rapid growth in the PRC economy, it is in the interest of the Enlarged Group by entering into the operations of cafe and restaurant chains in the PRC. Hence, through the Acquisition, the investment in GMF will provide a good opportunity for the Enlarged Group to diversify its business and broaden its revenue base.

The Enlarged Group will continue to explore and identify investment opportunities to add to the Enlarged Group's investment portfolio so as to enhance shareholders' value by organic growth.

5. INDEBTEDNESS

At the close of business on 30 June 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowing of approximately HK$39,248,000, representing an unsecured amount due to a third party.

A writ was filed against the Company in respect of a claim for reimbursement of expenses paid on behalf of the Group amounting to approximately HK$3 million on 26 July 2006. The Company was not aware of such alleged payments and had instructed lawyers to deal with the matter. The Board is of the opinion that the claim is not justifiable and without merit. Details are set out in the section headed "Litigation" in Appendix IV to this circular.

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, at the close of business on 30 June 2007, the Enlarged Group did not have any outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchases or finance lease commitment, guarantees or contingent liabilities.

No additional loan facility has been obtained by the Enlarged Group subsequent to 30 June 2007.

The Directors confirm that, save as disclosed herein, there has not been any material change in the indebtedness or contingent liabilities of the Enlarged Group since 30 June 2007.

6. WORKING CAPITAL

Taking into consideration the financial resources available to the Enlarged Group, including its internally generated funds and financial supports from one of substantial shareholders of the Company and the Vendor on the working capital requirements of the Group and GMF, respectively, and in the absence of unforeseen circumstances, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least twelve months from the date of this circular.

7. MATERIAL ADVERSE CHANGES

The Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 March 2007, being the date of which the latest published audited financial statement of the Group were made up.

A. ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Horwath Hong Kong CPA Limited. A copy of the following report is available for inspection as described in the section headed "Documents available for inspection" in Appendix IV to this circular.

Horwath Hong Kong CPA Limited
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

23 August 2007

The Board of Directors
Grandtop International Holdings Limited
Unit 3008
30th Floor
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Guangzhou Yuexiu Music Factory Entertainment Ballroom ("GMF") for the years ended 31 December 2004, 2005 and 2006 and six months ended 30 June 2007 (the "Relevant Periods"), together with the unaudited financial information of GMF including the income statement, cash flow statement and statement of changes in equity for the six months ended 30 June 2006 (the "30 June 2006 Corresponding Information"), prepared for inclusion in the circular of Grandtop International Holdings Limited (the "Company") dated 23 August 2007 (the "Circular") in connection with the proposed acquisition of the 51% equity interest in the registered capital of GMF by the Company (the "Acquisition").

GMF was established in the People's Republic of China (the "PRC") with limited liability and its principal place of business is in the PRC. GMF is principally engaged in operation of cafe and bar as well as provision of catering services in the PRC.

The financial statements of GMF were prepared in accordance with the accounting principles and relevant financial regulations of the PRC (the "PRC GAAP"). No statutory audited financial statements of GMF for the years ended 31 December 2004, 2005 and 2006 were issued, and no audited financial statements of GMF have been prepared for the six months ended 30 June 2007 and the 30 June 2006 Corresponding Information.

For the purpose of this report, the directors of GMF have prepared the financial statements (the "Underlying Financial Statements") of GMF for the Relevant Periods in accordance with the PRC GAAP. We have, for the purpose of this report, carried out appropriate audit procedures in respect of the Underlying Financial Statements of GMF for the Relevant Periods, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial information and the notes thereto for the Relevant Periods (the "Financial Information") as set out on pages 64 to 81 have been prepared based on the Underlying Financial Statements of GMF and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. For the purpose of this report, we have examined the Financial Information of GMF and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of GMF are responsible for the preparation of the Underlying Financial Statements which give a true and fair view in accordance with the PRC GAAP. The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs, and the contents of the Circular in which this report is included. In preparing the Financial Information and the Underlying 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 examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of GMF as at 31 December 2004, 2005 and 2006, and 30 June 2007 and of the results and cash flows of GMF for each of the Relevant Periods.

For the purpose of this report, we have reviewed the 30 June 2006 Corresponding Information, which are prepared in accordance with accounting principles generally accepted in Hong Kong and for which the directors of GMF and the Company are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consists principally of making enquiries of management and applying analytical procedures to the 30 June

2006 Corresponding Information, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 30 June 2006 Corresponding Information.

For the purpose of this report and on the basis of our review of the 30 June 2006 Corresponding Information, which does not constitute an audit, we are not aware of any material modifications that should be made to the unaudited financial information presented for the six months ended 30 June 2006.

B. FINANCIAL INFORMATION

The Financial Information of GMF has been prepared on the basis set out in Note 1 of Section C, after making such adjustments as are appropriate.

Income statements

		Year ended 31 December			Six months ended 30 June	
		2004	**2005**	**2006**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Turnover	*5*	7,560	1,495	4,106	2,186	1,591
Cost of sales		(6,896)	(1,524)	(5,324)	(2,219)	(3,058)
Gross profit/(loss)		664	(29)	(1,218)	(33)	(1,467)
Other revenue and gain	*6*	5	3	535	161	168
Administrative expenses		(192)	(2,856)	(1,289)	(255)	(1,462)
Profit/(loss) before taxation	*8*	477	(2,882)	(1,972)	(127)	(2,761)
Taxation	*9*	(265)	(79)	(271)	(144)	(108)
Net profit/(loss) for the year/period		212	(2,961)	(2,243)	(271)	(2,869)

Balance sheets

		As at 31 December			At 30 June
		2004	**2005**	**2006**	**2007**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*10*	2,497	12,355	28,605	33,985
Current assets					
Trade, other receivables and deposits paid	*11*	248	33	2,574	2,360
Cash at banks		621	68	863	4,705
		869	101	3,437	7,065
Current liabilities					
Accounts payable	*12*	62	3	73	39
Other payables and accruals	*12*	409	189	6,597	8,127
Amount due to a third party	*13*	—	12,354	27,685	38,070
Tax payable		24	—	20	16
		495	12,546	34,375	46,252
Net current assets/(liabilities)		374	(12,445)	(30,938)	(39,187)
NET ASSETS/(LIABILITIES)		2,871	(90)	(2,333)	(5,202)
EQUITY					
Paid-up registered capital	*14*	3,500	3,500	3,500	3,500
Reserves		(629)	(3,590)	(5,833)	(8,702)
TOTAL EQUITY		2,871	(90)	(2,333)	(5,202)

Statements of changes in equity

	Paid-up registered capital *RMB'000* *(Note 14)*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2004	3,500	(841)	2,659
Profit for the year	—	212	212
At 31 December 2004 and 1 January 2005	3,500	(629)	2,871
Loss for the year	—	(2,961)	(2,961)
At 31 December 2005 and 1 January 2006	3,500	(3,590)	(90)
Loss for the year	—	(2,243)	(2,243)
At 31 December 2006	3,500	(5,833)	(2,333)
At 1 January 2006	3,500	(3,590)	(90)
Loss for the period (unaudited)	—	(271)	(271)
At 30 June 2006 (unaudited)	3,500	(3,861)	(361)
At 1 January 2007	3,500	(5,833)	(2,333)
Loss for the period	—	(2,869)	(2,869)
At 30 June 2007	3,500	(8,702)	(5,202)

Cash flow statements

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit/(loss) before taxation	477	(2,882)	(1,972)	(127)	(2,761)
Adjustments for:					
Depreciation	391	130	359	162	196
Write-off of property, plant and equipment	—	2,367	—	—	—
Write-off of bad debts	—	60	—	—	—
Interest income	(2)	(2)	(1)	(1)	(1)
Operating cash flow before working capital change	866	(327)	(1,614)	34	(2,566)
Decrease in inventories	191	—	—	—	—
(Increase)/decrease in trade, other receivables and deposits paid	(78)	155	(2,541)	(156)	214
(Decrease)/increase in accounts payable	(116)	(59)	70	76	(34)
(Decrease)/increase in other payables and accruals	(402)	(220)	6,408	7,644	1,530
Cash generated from/(used in) operation	461	(451)	2,323	7,598	(856)
Income tax paid	(241)	(103)	(251)	(122)	(112)
Interest received	2	2	1	1	1
Net cash generated from/(used in) operating activities	222	(552)	2,073	7,477	(967)
Investing activities					
Purchase of property, plant and equipment	—	(12,355)	(16,609)	(13,808)	(5,576)
Financing activities					
Increase in amount due to a third party	—	12,354	15,331	6,462	10,385

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net increase/(decrease) in cash and cash equivalents	222	(553)	795	131	3,842
Cash and cash equivalents at beginning of year/period	399	621	68	68	863
Cash and cash equivalents at end of year/period	621	68	863	199	4,705
Analysis of the balances of cash and cash equivalents					
Cash at banks at end of year/period	621	68	863	199	4,705

C. NOTES TO THE FINANCIAL INFORMATION

1. Basis of presentation

The Financial Information and the 30 June 2006 Corresponding Information set out in this report have been prepared in accordance with the accounting principles generally accepted in Hong Kong and complied with all applicable HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), issued at the time of preparing the Financial Information and the 30 June 2006 Corresponding Information, and effective for the accounting period commencing 1 January 2007.

The Financial Information and the 30 June 2006 Corresponding Information also complied with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of GMF.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, GMF has early adopted all of the new and revised HKFRSs issued by the HKICPA that are effective for accounting periods beginning on 1 January 2007, at the beginning of the Relevant Periods.

GMF has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of GMF anticipate that the application of these Standards or Interpretations relevant to GMF will have no material impact on the Financial Information of GMF.

		Effective for accounting periods beginning on or after
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating segments	1 January 2009

3. Summary of significant accounting policies

(a) Basis of preparation and presentation

The Financial Information and the 30 June 2006 Corresponding Information have been prepared on the historical cost basis.

A third party of GMF has confirmed that it will not demand for repayment of its amount due by GMF as disclosed in note 13 to the Financial Information unless and until when GMF has adequate cash flow to meet its working capital requirements. On the strength of this assurance, the Financial Information has been prepared on the going concern basis.

(b) Property, plant and equipment

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

Leasehold improvements in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with GMF's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss 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 assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The principal annual rates of depreciation are as follows:

Motor vehicles	10%
Leasehold improvements	Over the remaining term of the lease
Furniture, fixtures and equipment	12.5 — 20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

(c) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, GMF estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

(d) Financial instruments

Financial assets and financial liabilities are recognised on GMF's balance sheet when GMF becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provisions for estimated irrecoverable amounts are recognised in profit and loss account when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Financial liabilities and equity

Financial liabilities and equity instruments issued by GMF are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of GMF after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(iv) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(v) Equity instruments

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

(e) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when GMF has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(f) 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/period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. GMF's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet dates.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet dates are used to determine deferred taxation.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and GMF intends to settle its current tax assets and liabilities on a net basis.

(g) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where GMF is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(h) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant equity holders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of GMF where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of GMF or of any entity that is a related party of GMF.

(i) Revenue recognition

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

(i) Catering service income and advertising service income are recognised when the services are rendered.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest rate method.

(j) Employees' benefits

(i) Short term benefits

Salaries and annual bonuses are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Pension obligations

The employees of GMF are required to participate in a central pension scheme operated by the local municipal government of the PRC. GMF is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

4. Critical accounting estimates and judgments

Estimates and judgments used in preparing the Financial Information are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. GMF 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 may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment on assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, the asset may be impaired and an impairment loss may be recognised in accordance with accounting policy for impairment on asset as described in Note 3 (c) above. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of revenue and amount of operating costs. GMF uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Impairment for bad and doubtful debts

The policy for impairment of bad and doubtful debts of GMF is based on the evaluation of collectibility and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of GMF were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. Turnover, segment information and earnings/loss per share

GMF derived income from operation of cafe and bar as well as provision of catering services in the PRC during the Relevant Periods.

Operation of cafe and bar as well as provision of catering services in the PRC is GMF's only business segment throughout the Relevant Periods. All assets and operations of GMF for the Relevant Periods are located in the PRC. Accordingly no separate segment information is presented.

No earnings/loss per share is presented as GMF is not a company registered with share capital and hence calculation of earnings/loss per share is not relevant.

6. Other revenue and gain

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest income	2	2	1	1	1
Others	3	1	14	—	7
Advertising service income	—	—	520	160	160
	5	3	535	161	168

7. Directors' remuneration and five highest paid individuals

(a) None of the directors received any fees or emoluments in respect of their services rendered to GMF for the Relevant Periods. During the Relevant Periods, no emoluments were paid by GMF to any of the directors as an inducement to join or upon joining GMF or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the Relevant Periods.

(b) The emoluments payable to the five individuals whose emoluments were the highest in GMF during the Relevant Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Wages and salaries	261	309	449	171	514
Contributions to retirement benefit scheme	15	14	18	8	5
	276	323	467	179	519

The emoluments of each individual were all below HK$1,000,000 for the Relevant Periods. During the Relevant Periods, no amount was paid by GMF to any of the above individuals as an inducement to join or upon joining GMF or as compensation for losses of office.

8. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Auditor's remuneration	—	—	—	—	—
Write-off of property, plant and equipment	—	2,367	—	—	—
Write-off of bad debts	—	60	—	—	—
Minimum lease payments under operating leases in respect of land and buildings	600	250	1,370	270	1,500
Staff costs					
— Wages and salaries	954	453	975	366	1,414
— Contributions to retirement benefit scheme	159	42	146	56	65
Depreciation	391	130	359	162	196

9. Taxation

Taxation in the income statement represents:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current tax — PRC	265	79	271	144	108

No provision has been made for Hong Kong profits tax as GMF has no assessable profits arising in Hong Kong for the Relevant Periods.

PRC corporate income tax of GMF is deemed by the PRC tax authorities at approximately 3.5%, 5%, 6.6%, 6.6% and 6.6% of the turnover of GMF for the years ended 31 December 2004, 2005 and 2006, and six months ended 30 June 2006 and 2007, respectively.

There was no unprovided deferred tax in respect of the Relevant Periods and as at each of the balance sheet dates.

10. Property, plant and equipment

	Construction in progress	Motor vehicles	Leasehold improvements	Furniture, fixtures and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2004	—	114	3,000	554	3,668
Additions	—	—	—	—	—
At 31 December 2004 and 1 January 2005	—	114	3,000	554	3,668
Additions	12,355	—	—	—	12,355
Write off	—	(114)	(3,000)	(554)	(3,668)
At 31 December 2005 and 1 January 2006	12,355	—	—	—	12,355
Additions	16,609	—	—	—	16,609
Transfer	(2,613)	—	451	2,162	—
Write off	—	—	—	—	—
At 31 December 2006	26,351	—	451	2,162	28,964
Accumulated depreciation:					
At 1 January 2004	—	33	585	162	780
Charge for the year	—	11	300	80	391
At 31 December 2004 and 1 January 2005	—	44	885	242	1,171
Charge for the year	—	4	100	26	130
Written back	—	(48)	(985)	(268)	(1,301)
At 31 December 2005 and 1 January 2006	—	—	—	—	—
Charge for the year	—	—	83	276	359
At 31 December 2006	—	—	83	276	359
Net book value:					
At 31 December 2004	—	70	2,115	312	2,497
At 31 December 2005	12,355	—	—	—	12,355
At 31 December 2006	26,351	—	368	1,886	28,605

	Construction in progress	Motor vehicles	Leasehold improvements	Furniture, fixtures and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2006 (unaudited)					
Cost:					
At 1 January 2006	12,355	—	—	—	12,355
Additions	11,212	—	434	2,162	13,808
Write off	—	—	—	—	—
At 30 June 2006	23,567	—	434	2,162	26,163
Accumulated depreciation:					
At 1 January 2006	—	—	—	—	—
Charge for the period	—	—	36	126	162
At 30 June 2006	—	—	36	126	162
Net book value:					
At 30 June 2006	23,567	—	398	2,036	26,001
Six months ended 30 June 2007					
Cost:					
At 1 January 2007	26,351	—	451	2,162	28,964
Additions	5,576	—	—	—	5,576
Written back	—	—	—	—	—
At 30 June 2007	31,927	—	451	2,162	34,540
Accumulated depreciation:					
At 1 January 2007	—	—	83	276	359
Charge for the period	—	—	45	151	196
At 30 June 2007	—	—	128	427	555
Net book value:					
30 June 2007	31,927	—	323	1,735	33,985

11. Trade, other receivables and deposits paid

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	193	—	15	44
Other receivables	1	—	228	16
Rental and management service deposits paid	—	—	2,168	2,168
Others	54	33	163	132
	248	33	2,574	2,360

All of the trade receivables are aged within 1 month.

The directors of GMF consider that the fair values of the GMF's trade, other receivables and deposits paid at each of the balance sheet dates approximate to their corresponding carrying amounts.

12. Accounts payable, other payables and accruals

Other payables and accruals as at each of the balance sheet dates are as follows:

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction payables	—	—	5,002	4,952
Rental payables	—	—	971	2,178
Other payables and accruals	409	189	624	997
	409	189	6,597	8,127

All of the accounts payable are aged within 1 month and are expected to be settled within one year.

The directors of GMF consider that the carrying amount of accounts payable, other payables and accruals approximates to their fair value at each of the balance sheet dates.

13. Amount due to a third party

The amount due to a third party was unsecured, interest free and has no fixed terms of repayment. Pursuant to an equity transfer agreement dated 22 July 2007 between the third party and the existing equity holders of GMF, the existing equity holders of GMF agree to transfer to the third party their entire 100% legal ownership of equity interest of GMF. The equity transfer agreement has not yet been completed as at the date of this report pending approval by the relevant government authority in the PRC. The directors of GMF consider that the carrying amount of amount due to the third party approximates to its fair value at each of the balance sheet dates.

14. Paid-up registered capital

	As at 31 December			At 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and fully paid-up capital	3,500	3,500	3,500	3,500

GMF is a domestic limited liability company established in the PRC on 8 June 1999 with an authorised total investment of RMB30,000,000 and a fully paid-up registered capital of RMB3,500,000.

15. Capital and other commitments

At each of the balance sheet dates, GMF had the following commitments:

	As at 31 December			At 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment:				
Contracted but not provided for	—	5,907	3,568	4,342

16. Operating lease arrangements

GMF as the lessee

At the balance sheet dates, GMF has outstanding minimum commitments under non-cancellable operating leases in respect of its office, cafe and bar, which fall due as follows:

	As at 31 December			At 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	600	2,800	3,424
In the second to fifth years inclusive	—	600	18,320	18,768
After five years	—	—	11,098	8,938
	—	1,200	32,218	31,130

Leases are negotiated for an average term of about approximately 2 to 8 years at fixed rental.

17. Financial risk management

(a) Financial risk factors

The main risks arising from GMF's financial instruments are credit risk and liquidity risk. These risks are evaluated and monitored by GMF in accordance with the financial management policies and practices described below.

(i) Credit risk

GMF's principal financial assets are trade and other receivables. The amounts presented in the balance sheets are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

GMF has no significant concentration of credit risk, with exposure spread over a large number of customers.

(ii) Liquidity risk

GMF will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

(b) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at each of the balance sheet dates.

18. Related party transaction

Key management of GMF comprised of its directors only whose remuneration during the Relevant Periods is disclosed in Note 7(a) to the Financial Information.

19. Significant post balance sheet event

There is no significant post balance sheet date event as of the date of this report.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by GMF in respect of any period subsequent to 30 June 2007 and up to the date of this report. No dividend or other distribution has been declared, made or paid by GMF in respect of any period subsequent to 30 June 2007.

Yours faithfully,
For and on behalf of

Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Shiu Hong Ng
Director
Practising Certificate number P03752

A. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is the illustrative and unaudited pro forma consolidated balance sheet of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the 51% equity interest in registered capital of Guangzhou Yuexiu Music Factory Entertainment Ballroom ("GMF") by the Company (the "Acquisition") as if it had been taken place on 31 March 2007.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2007 as set out in the financial information on the Group in Appendix I; and the audited balance sheet of GMF as at 30 June 2007 in Appendix II with appropriate translation of presentation currency from Renminbi to Hong Kong dollars at an exchange rate of RMB1:HK$1.03, after making pro forma adjustments as set out in notes below.

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

	Audited consolidated balance sheet of the Group as at 31 March 2007	Audited balance sheet of GMF as at 30 June 2007	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets					
Property, plant and equipment	4,594	35,036			39,630
Leasehold land	720	—			720
	5,314	35,036			40,350
Current assets					
Inventories	3,656	—			3,656
Trade and other receivables	7,448	2,433			9,881
Cash and bank balances	6,757	4,851		*1(i) & (ii)*	11,608
	17,861	7,284			25,145
Current liabilities					
Amount due to the GMF Minority Equity Holder	—	(39,248)	39,248	*1(iii)*	—
Trade and other payables	(3,066)	(8,419)	7,919	*2*	(3,566)
Tax payables	(19,997)	(16)	16	*1(iii)*	(19,997)
	(23,063)	(47,683)			(23,563)
Net current (liabilities)/assets	(5,202)	(40,399)			1,582
Total assets less current liabilities	112	(5,363)			41,932
Non-current liabilities					
Amount due to the GMF Minority Equity Holder	—	—	(15,773)	*1(ii)*	(15,773)
Deferred tax liabilities	(167)	—			(167)
	(167)	—			(15,940)
Net (liabilities)/assets	(55)	(5,363)			25,992
Capital and reserves					
Share capital/registered paid-in capital	3,840	3,608	(3,608)	*1(vi)*	3,840
Reserves	(3,895)	(8,971)	14,281	*1(iv)*	1,415
Minority interests	—	—	20,737	*1(v)*	20,737
Total equity	(55)	(5,363)			25,992

Notes:

1. Under Hong Kong Financial Standard 3 "Business Combinations" and Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements", the Group will apply the purchase method to account for the acquisition of GMF as a subsidiary if the Group has the power, directly or indirectly, to govern the financial and operating policies of GMF, so as to obtain benefits from its activities after the completion of the Acquisition. As of the date of this report, the directors of the Company consider that the Group will have the above control over GMF pursuant to the completion of the Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of GMF will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion of the Acquisition. Any goodwill or discount arising on the Acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of GMF at the date of completion of the Acquisition. Excess of the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of GMF over consideration should be recognised immediately in the consolidated income statement.

   Since the net fair value of the identifiable assets, liabilities and contingent liabilities of GMF as at the date of the actual completion of the Acquisition may be different from the fair values used in the preparation of the unaudited pro forma consolidated balance sheet above, the negative goodwill arising from the Acquisition, if any, will be reassessed at time of actual completion.

   The adjustments reflect the following:

   (i) The cash consideration of RMB15,300,000, equivalent to approximately HK$15,773,000, shall be payable by the Group to the vendor who will become a 49%-minority equity holder of GMF (the "GMF Minority Equity Holder") after the completion of the Acquisition.

   (ii) Each of the GMF Minority Equity Holder and the Group undertakes to extend a loan in principal amount of RMB15,300,000, equivalent to approximately HK$15,773,000, to GMF upon completion of the Acquisition. As a result, there will be an intragroup balance of HK$15,773,000 between GMF and the Group which is eliminated on consolidation in the unaudited pro forma consolidated balance sheet, and there will be a loan of HK$15,773,000 from the GMF Minority Equity Holder in the unaudited pro forma consolidated balance sheet. The above loans are assumed by the directors of the Company to be unsecured, interest free and not repayable within twelve months after the balance sheet date of the unaudited pro forma consolidated balance sheet. Accordingly, after the adjustments (1)(i) and (1)(ii), there is no net cash flow of the Enlarged Group arising from the Acquisition.

   (iii) Among the conditions for the completion of the Acquisition, the GMF Minority Equity Holder will ensure, upon completion of the Acquisition, that (a) there are no outstanding accounts payable, loan and amount due to any other parties by GMF; and (b) the GMF Minority Equity Holder waives all the loans due to himself by GMF except for the loan of HK$15,773,000 extended to GMF as mentioned in note (ii) above.

   For the purpose of preparing the unaudited pro forma consolidated balance sheet, all amounts payable to any other parties by GMF as at 30 June 2007 are assumed to be paid by the GMF Minority Equity Holder on behalf of GMF and thereafter all amounts due to the GMF Minority Equity Holder by GMF is waived except for the loan of HK$15,773,000 extended to GMF as mentioned in note (ii) above. This results in the reduction in GMF's trade and other payables and tax payables by HK$8,419,000 and HK$16,000 respectively and increase of GMF's amount due to the GMF Minority Equity Holder by HK$8,435,000, which is capitalised by way of a waiver as mentioned in (iii)(b) above. Moreover, GMF's amount due to the GMF Minority Equity Holder of HK$39,248,000 as at 30 June 2007 is also capitalised by the same waiver.

(iv) The adjustments of approximately HK$14,281,000 represents (a) elimination of the pre-acquisition reserves of GMF of approximately HK$8,971,000 on consolidation and excess of HK$5,310,000 of the Group's interests in net fair value of the identifiable assets, liabilities and contingent liabilities of GMF over consideration as mentioned in note 1(i) above. For the purpose of preparing the unaudited pro forma consolidated balance sheet, the adjusted net assets of GMF of HK$42,320,000, which is arrived at after combining the carrying value of GMF's consolidated net liabilities of HK$5,363,000 as at 30 June 2007 and the capitalisation of amounts due to the GMF Minority Equity Holder of HK$47,683,000 as mentioned in note 1(iii) above, is taken as their fair value.

The excess of HK$5,310,000 represented the excess of the Group's 51% equity interest on the adjusted net assets of GMF of HK$42,320,000 over the sum of the cash consideration of approximately HK$15,773,000 as mentioned in note 1(i) and the professional and legal fees and other expenses of HK$500,000 capitalised as investment cost as mentioned in note 2 below.

(v) The adjustment represents the GMF Minority Equity Holder's 49% equity interest in the adjusted net assets of GMF of HK$42,320,000.

(vi) The adjustment represents the elimination of the registered paid-in capital of GMF of approximately HK$3,608,000 on consolidation.

2. The adjustment represents the reduction in GMF's trade and other payables of HK$8,419,000, partially set off by the professional and legal fees and other expenses of HK$500,000 in aggregate to be incurred by the Group in relation to the Acquisition.

B. COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report from Horwath Hong Kong CPA Limited, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

Horwath

Horwath Hong Kong CPA Limited
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

23 August 2007

The Board of Directors
Grandtop International Holdings Limited
Unit 3008
30th Floor, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Grandtop International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Guangzhou Yuexiu Music Factory Entertainment Ballroom ("GMF") (together with the Group hereinafter referred to as the "Enlarged Group") as set out on pages 82 to 85 under the heading of "Unaudited Pro Forma Financial information on the Enlarged Group" in Appendix III to the Company's circular (the "Circular") dated 23 August 2007, which have been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed acquisition of the 51% equity interest in registered capital of GMF by the Company (the "Acquisition"), might have affected the financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 82 to 85 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and 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 Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information as set out in Appendix III of the Circular with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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

The Unaudited Pro Forma Financial Information is for illustrative purpose 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 Enlarged Group as at 31 March 2007 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information as at 31 March 2007 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
For and on behalf of

Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Shiu Hong Ng
Director
Practising Certificate number P03752

1. RESPONSIBILITY STATEMENT

This circular 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 circular 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. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors or chief executive in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of 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 Issuers contained in the Listing Rules, were as follows:

Name of Director	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Yeung Ka Sing, Carson	Interest in a controlled corporation	115,200,000 (L) *(note 1)*	16.67%
	Personal interest	10,000,000 (L)	1.45%
		125,200,000	18.12%
Mr. Hui Ho Luek, Vico	Interest in a controlled corporation	96,000,000 (L) *(note 2)*	13.89%
	Family interest	18,975,000 (L) *(note 3)*	2.74%
		114,975,000	16.63%
Ms. Siu Bessie	Beneficiary of a discretionary trust	96,000,000 (L) *(note 4)*	13.89%

L: Long position

Notes:

1. These Shares were held by Great Luck Management Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Yeung Ka Sing, Carson.

2. These Shares were held by Premier Rise Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Hui Ho Luek, Vico.

3. These Shares were held by Ms. Leung Choi Fan, the spouse of Mr. Hui Ho Luek, Vico.

4. These Shares were held by Huge Gain Development Limited which is wholly 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 unites 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 Group and the discretionary objects. Ms. Bessie Siu is one of the beneficiaries of the trust.

Save as disclosed above and certain nominee shares in subsidiaries of the Company held by certain Directors in trust for the Group, none of the Directors or nor the chief executive of the Company, as at the Latest Practicable Date, had or was deemed to have any interests or short positions in the Shares and underlying shares and debenture of the Company or any of 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 Issuers contained in the Listing Rules.

(b) Interests and short positions Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares and underlying shares and debenture of the Company 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 Enlarged Group:

Name of Shareholder	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mrs. Chu Yuet Wah	Interest in a controlled corporation	253,440,000(L) *(note 1)*	36.67%
Ms. Ma Siu Fong	Interest in a controlled corporation	253,440,000(L) *(note 1)*	36.67%
Kingston Securities Limited	Beneficial owner	138,240,000(L) *(note 1)*	20.00%
Kingston Finance Limited	Beneficial owner	115,200,000(L) *(note 1)*	16.67%
Great Luck Management Limited	Beneficial owner	115,200,000(L) *(note 2)*	16.67%
Huge Gain Development Limited	Beneficial owner	96,000,000(L) *(note 3)*	13.89%
Nerine Trust Company Limited	Trustee of a discretionary trust	96,000,000(L) *(note 3)*	13.89%
Ms. Tsai Lai Wa, Jenny	Beneficiary of a discretionary trust	96,000,000(L) *(note 3)*	13.89%
Premier Rise Investments Limited	Beneficial owner	96,000,000(L) *(note 4)*	13.89%

L: Long position

Notes:

1. Kingston Securities Limited and Kingston Finance Limited are owned as to 51% by Mrs. Chu Yuet Wah and as to 49% by Ms. Ma Siu Fong.

2. Great Luck Management Limited is wholly owned by Mr. Yeung Ka Sing, Carson, who is also a director of Great Luck Management Limited and the Company.

3. Huge Gain Development Limited is wholly owned by Nerine Trust. Nerine Trust is the trustee of SB Unit Trust and holds properties for the benefit of holders of unites 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 Group and the discretionary objects. Both of Ms. Bessie Siu and Ms. Tsai Lai Wa, Jenny are the beneficiaries of the trust.

4. Premier Rise Investments Limited is wholly owned by Mr. Hui Ho Luek, Vico, who is also a director of Premier Rise Investments Limited and the Company.

Save as disclosed above, according to the register kept by the Company under section 336 of the SFO and so far as was known to the Directors, there was no other persons (other than the Directors or chief executives of the Company as disclosed in the above) who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying shares and debenture of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 rights to vote in all circumstances at general meeting of any other members of the Enlarged Group.

(c) Directors' interest in assets of the Enlarged Group

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

(d) Directors' interest in contracts of the Enlarged Group

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

(e) Directors' interest in competing business

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates (has the meaning ascribed thereto under the Listing Rules) was considered to have interest in any business which competes or was likely to compete, whether directly or indirectly, with the business of the Group or may have any other conflict of interest with the Group pursuant to the Listing Rules.

3. 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 which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular.

Name	Qualification
Horwath Hong Kong CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, Horwath Hong Kong CPA Limited did not had any shareholding directly or indirectly in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group.

As at the Latest Practicable Date, Horwath Hong Kong CPA Limited did not had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

Horwath Hong Kong CPA Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its respective letters or reports (as the case may be) and references to its name in the form and context in which it appears.

5. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, had been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which may be material:

(a) a conditional subscription agreement dated 6 February 2007 and entered into between the Company and Premier Rise Investments Limited ("Premier Rise") in relation to the subscription of an aggregate 64,000,000 new Shares by Premier Rise;

(b) an underwriting agreement dated 23 April 2007 and entered into between the Company and Kingston Securities Limited in relation to the issue of 192,000,000 new Shares by way of open offer on the basis of one offer share for every two existing Shares held on the record date;

(c) a conditional placing agreement dated 20 June 2007 and entered into between the Company and Great Luck Management Limited ("Great Luck") in relation to the placing of an aggregate 115,200,000 new Shares to Great Luck;

(d) a binding memorandum of understanding dated 27 June 2007 and entered into between the Company, Mr. David Sullivan, Mr. David Gold, Mr. Ralph Gold, Ms. Karren Brady and Mr. Roger Bannister in relation to the granting of a right to the Company to acquire an aggregate 29.9% of the issued share capital in Birmingham City Plc.;

(e) a conditional placing agreement dated 13 July 2007 and entered into between the Company and Kingston Securities Limited in relation to the private placing of a total number of 138,240,000 unlisted warrants; and

(f) the Sale and Purchase Agreement and the Deed of Variation.

6. LITIGATION

A writ was filed by the plaintiff (the "Plaintiff") against the Company in respect of a claim for reimbursement of expenses paid on behalf of the Company and Sun Tai Hing Garment Making Company Ltd. (the "Subsidiary"), the subsidiary of the Company, 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 was not aware of such alleged payments and had instructed lawyers to deal with the matter. The Plaintiff is the sister of the father of Ms. Bessie Siu, an executive Director and a director of the Subsidiary who is responsible to run the daily affairs of the Subsidiary. The Plaintiff was never a director of the Company. As at the Latest Practicable Date, 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, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. GENERAL

(a) The qualified accountant of the Company is Ms. Wong Po Ling, Pauline, who is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Institute on Chartered Accountants in England and Wales.

(b) The company secretary of the Company is Mr. Edmund Siu, who is an associate member of both the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants since 1998.

(c) The head office and principal place of business of the Company in Hong Kong is situated at Unit 3008, 30th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(d) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(e) The branch share registrars and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(f) The principal share registrars and transfer office of the Company in the Cayman Islands is Butterfield Fund Services (Cayman) Limited, Butterfield House, 68 Fort Street, P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands.

(g) In any event of inconsistency, the English text of this circular shall prevail over the Chinese text.

8. PARTICULARS OF DIRECTORS

Executive directors

Mr. Yeung Ka Sing, Carson aged 47, has accumulated many years of experience in international investments. He has been the Chairman of Hong Kong Rangers Football Club during 2005 to 2006. Mr. Yeung is a director of Universal Management Consultancy Limited and Universal Energy Resources Holdings Limited. He was appointed as an executive Director and the Chairman of the Board on 20 July 2007. Mr. Yeung did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Mr. Hui Ho Luek, Vico, aged 41, has accumulated over 20 years of experience in management of business trade and project investments. He was appointed as an executive Director on 20 June 2007. Mr. Hui did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Mr. Steven McManaman, aged 35, has accumulated over 15 years of experience in football industry. He is a former English footballer of the 1990s and early 2000s, who played in a career spanning two of European Football's biggest club in Liverpool F.C. and Real Madrid F.C. Mr. McManaman has substantial experience in the management of football club and its continuing development. He was appointed as an executive Director on 2 July 2007. Mr. McManaman did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Mr. Ip Wing Lun, aged 39, is a Certified Public Accountant (Practising) in Hong Kong. Mr. Ip is currently an independent non-executive Director of China Energy Development Holdings Limited (stock code 228) which is listed on the Main Board of Stock Exchange. Mr. Ip holds a Master degree of Business Administration and is a fellow member of Hong Kong Institute of Certified Public Accountants, 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 15 years of experience in auditing, taxation and provision of financial consultancy services of companies in Hong Kong and the PRC. He was re-designated as an executive Director on 17 July 2007. On 5 December 2006, he was appointed as an independent non-executive Director and re-designated as a non-executive Director on 22 May 2007. He is a spouse of Ms. Wong Po Ling, Pauline who is the executive Director. Save as disclosed above, Mr. Ip did not hold any directorship in any other companies in Hong Kong in the last three years.

Mr. Lee Yiu Tung, aged 44, 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 Honors, 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 on 13 June 2006. Mr. Lee did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Ms. Wong Po Ling, Pauline, aged 29, is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She holds a Bachelor's Degree in Accountancy. Ms. Wong has 10 years of experience in financial accounting, management accounting and auditing, including working experience in other listed companies. She was appointed as an executive Director on 29 May 2007. She is a spouse of Mr. Ip Wing Lun who is the executive Director. Ms. Wong did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Ms. Bessie Siu, aged 31, 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. Ms. Siu did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Non-executive director

Mr. Fu Wing Kwok, Ewing, aged 37, is the financial controller and the company secretary of Sino Union Petroleum & Chemical International Limited, which is listed on the Main Board of Stock Exchange. 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, the United States of America 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 non-executive Director with effect from 12 July 2006. Mr. Fu did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Mr. Christian Lali Karembeu, aged 36, has accumulated over 20 years of experience in professional football and a member of the French National Team which won the World Cup in 1998. He played in a career spanning famous football clubs in Middlesbrough F.C., Real Madrid F.C. and Sampdoria F.C.. Mr. Karembeu has substantial experience in the management of football club and its continuing development. Mr. Karembeu was appointed as a non-executive Director with effect from 7 August 2007. Save as disclosed above, Mr. Karembeu has not held directorship in any other listed companies in Hong Kong in the last three years and has not previously held any positions with the Company or any of its subsidiaries.

Independent non-executive directors

Mr. Chang Kin Man, aged 43 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 Certified Public 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 Apex Capital Limited ("Apex") (Stock code 905) and Sunlink International Holdings Limited ("Sunlink") (Stock code 2336), companies listed on the Main Board of Stock Exchange. He resigned from Apex on 24 May 2005 and resigned from Sunlink on 18 April 2007. He is currently an independent non-executive director of China Energy Development Holdings Limited (stock code 228) and China Water Industry Group Limited (stock code 1129), both are listed companies on the Main Board of the Stock Exchange. He was appointed as an independent non-executive Director on 13 July 2006. Save as disclose above, Mr. Chang did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Mr. Zhou Hau 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. He was appointed as an independent non-executive Director on 28 February 2007. Mr. Zhou did not hold any directorship in any other listed companies in Hong Kong in the last three years.

Mr. Yip Man Ki, aged 43, has had over 19 years sales, marketing and general management experience in both Hong Kong and PRC market. He had held various sales, marketing and management positions with several multinational corporations. Currently, he is the General Manager of Double A. He has successfully led the team to build up the market leadership of Double A in Hong Kong copy paper market. He was awarded Hong Kong Management Association Distinguished Marketer in 2006. Mr. Yip has obtained an EMBA degree and a BBA degree from The Chinese University of Hong Kong. He was appointed as an independent non-executive Director on 22 May 2007. Mr. Yip did not hold any directorship in any other listed companies in any other companies in Hong Kong in the last three years.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong at Unit 3008, 30/F., West Tower, Shun Tak Centre, 168 - 200 Connaught Road Central, Hong Kong from the date of this circular up to and including 10 September 2007:

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

(b) the audited financial statements of the Group for the two years ended 31 March 2007;

(c) the accountants' report on GMF, the text of which is set out in Appendix II to this circular;

(d) the comfort letter issued by Horwath Hong Kong CPA Limited in connection with the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(e) copies of the material contracts as disclosed under the section headed "Material contracts" in this appendix;

(f) the letter of consent given by Horwath Hong Kong CPA Limited referred to in the section headed "Expert and Consent" in this appendix; and

(g) this circular and each of the circulars of the Company issued pursuant to the requirements set out in Chapter 14 of the Listing Rules which have been issued since 31 March 2007.

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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "Extraordinary General Meeting") of the shareholders of Grandtop International Holdings Limited (the Company") will be held at Tianshan Room and Lushan Room, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 10 September 2007 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT the entering into of the conditional sale and purchase agreement dated 23 July 2007 (the "Agreement") and the deed of variation dated 24 July 2007 (the "Deed") (a copy of the Agreement and the Deed have been produced to the meeting marked "A" and "B" respectively and signed by the Chairman of the meeting for the purpose of identification) in relation to the acquisition of a 51% equity interest in Guangzhou Yuexiu Music Factory Entertainment Ballroom 廣州市越秀區音樂工廠娛樂歌舞廳 and all transactions contemplated under the Agreement and the Deed be and are hereby approved, ratified and confirmed and that any one director of the Company be and is hereby authorised to do or execute all such acts or such other documents which the director may deem to be necessary, desirable or expedient to carry into effect or to give effect to all the transactions contemplated under the Agreement and the Deed"

By order of the Board
Grandtop International Holdings Limited
Hui Ho Luek, Vico
Executive Director

Hong Kong, 23 August 2007

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

Principal place of business in Hong Kong:
3008, 30th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

* *For identification purpose only*

Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.

2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.

3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting (or any adjournment thereof).

4. As at the date of this notice, the board of directors of the Company comprises executive directors, namely, Mr. Yeung Ka Sing, Carson, Mr. Hui Ho Luek, Vico, Mr. Steven McManaman, Mr. Lee Yiu Tung, Mr. Ip Wing Lun, Ms. Wong Po Ling, Pauline and Ms. Bessie Siu; non-executive directors, namely Mr. Christian Lali Karembeu and Mr. Fu Wing Kwok, Ewing and independent non-executive directors, namely Mr. Chang Kin Man, Mr. Zhou Han Ping and Mr. Yip Man Ki.