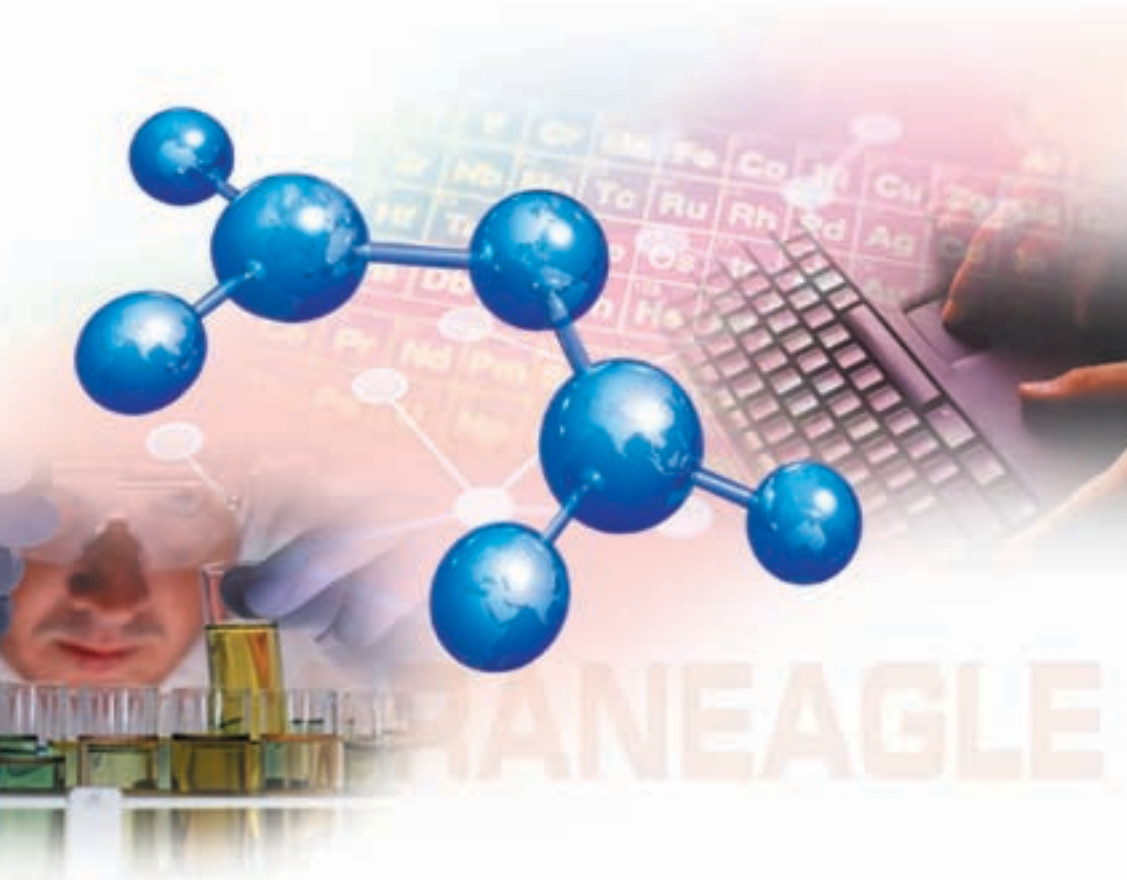


INTERIM REPORT **2003-2004**



GRANEAGLE

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited at 30 Sep 2003 HK\$'000	Audited at 31 Mar 2003 HK\$'000
Non-current assets			
Property, plant and equipment	6	<u>5,592</u>	<u>4,797</u>
Current assets			
Inventories		19,516	19,665
Trade receivables	7	8,836	7,163
Prepayment, deposits & other receivables		9,704	823
Bank balances and cash		<u>32,458</u>	<u>35,671</u>
		70,514	<u>63,322</u>
Current liabilities			
Trade and other payables	8	17,894	12,699
Taxation payable		1,550	<u>3,706</u>
		<u>19,444</u>	<u>16,405</u>
Net current assets		<u>51,070</u>	<u>46,917</u>
Total assets less current liabilities		<u>56,662</u>	<u>51,714</u>
Capital and reserves			
Issued share capital		1,670	1,670
Reserves		<u>54,720</u>	<u>49,330</u>
Shareholders' funds		<u>56,390</u>	<u>51,000</u>
Non-current liabilities			
Deferred tax liabilities		<u>272</u>	<u>714</u>
		<u>56,662</u>	<u>51,714</u>

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 Interim Financial Reporting. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended March 31, 2003, except as described below.

In the current period, the Group has adopted, for the first time, the revised SSAP 12 "Income taxes" (SSAP 12 (revised)). The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions.

The adoption of SSAP 12 (Revised) has had no material impact on the financial statements. Accordingly, no prior period adjustment has been required.

2. SEGMENT INFORMATION

(A) Business segment

The Group's turnover and operating profit were solely contributed by garment business during the periods ended 30 September, 2003 and 2002.

(B) Geographical segment

Sales revenue from the Group's operations was solely from the United States of America, irrespective of the origin of the goods/services.

3. DEPRECIATION

During the period, depreciation of approximately HK\$983,000 (2002: HK\$1,672,000) was charged in respect of the Group's property, plant and equipment.

4. TAXATION CREDIT/(CHARGE)

	1 Apr 2003 to 30 Sep 2003 HK\$'000	1 Apr 2002 to 30 Sep 2002 HK\$'000
Hong Kong profits tax:		
— Current	(294)	(713)
— Over-provision in prior years	1,792	—
	1,498	(713)
Deferred taxation	443	131
	1,941	(582)

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period.

Deferred tax assets of approximately HK\$1,846,000 (31 March, 2003: HK\$1,796,000) has not been recognized in the financial statements in respect of tax losses available to offset future profits, due to the unpredictability of future profits.

10. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with related parties:

	HK\$'000
Consultancy fees paid to a related company	120
Rental charges paid to a related company	292
	<u>412</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September, 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 September, 2003, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Shares of the Company

Director	Holding Capacity	Number of shares Held	% to the issued share Capital of the Company
Ling Tai Yuk, John	Personal	26,563,336	15.9%
	Corporate (Note)	44,705,322	26.8%
Kong Ho Pak	Personal	3,342,200	2%
Pang Hon Chung	Personal	1,708,000	1%
Ng Tze Kin, David *	Personal	507,000	0.3%

Note: The shares are held by Accura Overseas Limited, a company incorporated in the British Virgin Islands, wholly and beneficially owned by Mr. Ling Tai Yuk, John.

* Independent Non-executive Director

2. Interests in associated corporations

Koniko Company Limited — an indirectly wholly owned subsidiary of the Company

Director	Holding Capacity	Number of shares held
Ling Tai Yuk, John	Personal	1,550,010 non-voting deferred shares
Kong Ho Pak	Personal	664,290 non-voting deferred shares

The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on winding up.

Save as disclosed above, as at 30 September, 2003, none of the directors, chief executives or their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register kept under Section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 September, 2003, the interests and short positions of shareholders, other than the directors or the chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Accura Overseas Limited, the entire issued share capital of which is held by Mr. Ling Tai Yuk, John, was holding 44,705,322 shares of the Company, representing approximately 26.8% of the issued share capital of the Company as beneficial owner.

Save as disclosed above, no other party (other than a director or the chief executive of the Company) had notified the Company that he had any interest or short position in the shares or underlying shares of the Company as recorded in the register kept under Section 336 of the SFO as at 30 September, 2003.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed with the management the auditing practices, the internal controls and the financial reporting. In addition, the Audit Committee has reviewed the unaudited interim financial statements for the six months ended 30 September, 2003.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company had not redeemed any of its shares during the six months ended 30 September, 2003. Neither the Company nor any of its subsidiaries had purchased or sold any of its listed securities during the six months ended 30 September, 2003.

CODE OF BEST PRACTICE

None of the Directors of the Company are aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), at any time during the six months ended 30 September, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE INTERIM RESULTS Operation Review

The Group's turnover for the six months ended 30 September 2003 increased 3% compared to the corresponding period in 2002. The Group managed to increase profits before taxation by 34% from HK\$2.6 millions in 2002 to HK\$3.5 millions in 2003, while total gross profits increased 14%. The improvement in gross profits was due to an increase in gross profit margin of 1.3% during the period, from 12.7% in 2002 to 14%

in 2003, and the further reduction in distribution expenses as a result of reduced overhead expenses during the last 6 months. The Group's profit attributable to shareholders for the period increased by 171% from HK\$2 millions in 2002 to HK\$5.4 million in 2003. This was mainly due to the reversal of taxation charge from prior years' overprovision. As a result, the Group's basic earnings per share increased by the same magnitude, from HK1.19 cents in 2002 to HK3.23 cents in 2003.

Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2003. However, the Board intends to declare a final dividend for the financial year ended 2003/04.

Liquidity and Capital Resources

The Group has relied principally on its internal resources to fund its operation and investment activities. The gearing ratio of the Group, which is expressed as a percentage of total borrowings to shareholder's funds, remains at 0% for the last six months. The Company has contingent liabilities of HK\$20 million in the form of a corporate guarantee provided to secure general banking facilities for a subsidiary. The Group's exposure to foreign currency risk is insignificant because of its US Dollar based income stream.

Employees

The Group maintains 23 employees, whose salaries are reviewed and adjusted annually based on performance and experience. Other employee benefits include mandatory provident fund and educational subsidies which are offered to promote staff development. There is a share option scheme in place designed to award employees for their performance at the discretion of the directors. There was no share option granted to any employee during the period.

Future plan and prospect

The Group plans to explore investment opportunities in PRC, and is in the process of evaluating various alliance and acquisition opportunities to strengthen the Group's pursuit in this area. In line with the Group's focus to seek PRC consumer sector opportunities, the Group is currently evaluating other mass consumer investments to assess their fit to the Group's focus.

By Order of the Board
Ling Tai Yuk, John
Chairman

Hong Kong, 5 December, 2003