GRANEAGLE HOLDINGS LIMITED

(Stock code: 147)

2007 annual report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive

Kong Ho Pak *(Chairman)*
Ling Tai Yuk, John *(C.E.O.)*
Pang Hon Chung

Non-Executive

Ng Tze Kin, David
Chau Wai Yin, Jonathan

Independent Non-Executive

Leung Shu Yin, William
Lee Tsoh Ching, Jonathan
Keir, James

COMPANY SECRETARY

Tam Shuit Mui, Amy

AUDITORS

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

Leung Shu Yin, William *(Chairman)*
Lee Tsoh Ching, Jonathan
Keir, James
Ng Tze Kin, David

REMUNERATION COMMITTEE

Chau Wai Yin, Jonathan *(Chairman)*
Lee Tsoh Ching, Jonathan
Keir, James

NOMINATION COMMITTEE

Chau Wai Yin, Jonathan *(Chairman)*
Lee Tsoh Ching, Jonathan
Keir, James

PRINCIPAL OFFICE

Suite 1114
Lippo Sun Plaza
28 Canton Road
Tsimshatsui, Kowloon
Hong Kong

REGISTRARS (In Hong Kong)

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

REGISTRARS (In Bermuda)

Butterfield Corporate Services, Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

Biographies of Directors

KONG HO PAK — Executive Director and Chairman

Mr. Kong Ho Pak, aged 82, is the chairman of Lotus International Limited which is engaged in investment, trading, tourism, engineering and apparel. Mr. Kong has over 40 years of experience in business investment and more than 10 years of experience in the textile industry. Mr. Kong is a director of Koniko Company Ltd. ("Koniko"), a wholly-owned subsidiary of the Company, which is engaged in the manufacturing of high end ladies apparel including sportswear, jacket suits and dresses.

LING TAI YUK, JOHN — Executive Director and Chief Executive Officer

Mr. Ling Tai Yuk, John, aged 70, has over 30 years of experience in design, sales, merchandising and manufacturing in the fashion industry. Mr. Ling is also a director of Koniko.

PANG HON CHUNG — Executive Director

Mr. Pang Hon Chung, aged 56, holds a Master's Degree in Business Administration, and is a member of Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Pang has extensive experience in business management and is a director and the general manager of Lotus International Limited. He is also an independent non-executive director of Tonic Industries Holdings Limited.

NG TZE KIN, DAVID — Non-Executive Director

Mr. Ng Tze Kin, David, aged 57, holds a Master's Degree in Commerce from Macquarie University, Sydney and is an Australian Chartered Accountant and Chartered Secretary. Mr. Ng had worked for PricewaterhouseCoopers Hong Kong for 8 years and is currently the managing director of a corporate practice in Hong Kong.

CHAU WAI YIN, JONATHAN — Non-Executive Director

Mr. Chau Wai Yin, Jonathan, aged 44, holds a Master's Degree in Business Administration from University of California at Los Angeles. Mr. Chau has over 16 years of experience in the fields of finance and investments and has worked for various financial institutions and publicly listed companies in the area of mergers, acquisitions, investments and fund raising in the United States and Greater China.

LEUNG SHU YIN, WILLIAM — Independent Non-Executive Director

Mr. Leung Shu Yin, William, aged 57, graduated from Hong Kong Polytechnic. Mr. Leung is currently a practising director of three CPA firms in Hong Kong. He is also presently an Independent Non-Executive Director of Mainland Headwear Holdings Ltd., Lai Sun Garment (International) Ltd and Lai Sun Development Co. Ltd.

LEE TSOH CHING, JONATHAN — Independent Non-Executive Director

Mr. Lee Tsoh Ching, Jonathan, aged 70, has over 45 years of experience in manufacturing and trading from textile industry.

KEIR, JAMES — Independent Non-Executive Director

Mr. Keir, James, aged 70, has over 43 years of experience in jewelry manufacturing and retailing.

Chairman's Statement

FINANCIAL RESULTS

The Group's consolidated turnover and profit before taxation for the year ended March 31, 2007 amounted to approximately HK$162 million and HK$15.9 million respectively, representing an increase of 6% and 29% respectively from last year.

The Group's gross profit margin remains at 15% in 2007. The increase in turnover was due to the increase in sales volume to our United States ("US") importers and buyers. The three-year agreement on imports of Chinese clothing and textiles between the US and the People's Republic of China has strengthened the confidence of US importers to place orders with our Group. The increase in profit before taxation was not only due to the increase in the sales turnover but also due to the decrease in the administrative expenses by 16.4% in 2007. The decrease in administrative expenses was a result of the suspension of our health supplement business since the year-end of 2006 and a decrease in the headcount of the staff. Moreover, the increase in bank interest income as a result of the increasing interest rate also contributed to the increase in profit before taxation.

The Group's 2007 profit attributable to shareholders increased by 32% to reach HK$14.6 million for the year and the Group's basic earnings per share was HK 8.71 cents, an increase of 32% from HK 6.62 cents in 2006.

FINANCIAL POSITION AND LIQUIDITY

The Group's financial position remained strong during the year, allowing the Group to rely principally on internal resources to fund its operation and investment activities. As at March 31, 2007, the Group's net currents assets were HK$84 million, with cash and bank balances of HK$53 million as compared to HK$73 million in net current assets and HK$51 million in cash and bank balances as at March 31, 2006. As at March 31, 2007, the Group's gearing ratio and current ratio were 0% (2006: 0%) and 5.6 times (2006: 6.8 times) respectively. The gearing ratio of the Group is expressed as a percentage of total borrowings to shareholders' funds.

As at March 31, 2007, the Company pledged its bank deposit of HK$9 million to secure the banking facilities granted to the Company. The Group's exposure to foreign currency risk is insignificant because the majority of its income and expenses are U.S. Dollar based.

EMPLOYEES

The Group maintains 16 employees, whose salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include mandatory provident fund and an education subsidy to encourage staff's professional development. The Group also has a discretionary share option scheme in place designed to award employees for their performance. There was no share option granted to any employee during the year.

Chairman's Statement

FUTURE PLAN AND PROSPECTS

The Group remains optimistic about the prospect of its core business. The bilateral agreement on imports of Chinese clothing and textiles between the PRC and US has strengthened the confidence of US importers to place orders. The demand for the Group's garment products from its US customers remains stable as evidenced by the Group's six months' worth of back orders.

Therefore, we expect our garment business will go up steadily in future. In order to meet the potential growth of sales, we are planning to expand our production capacities in the coming years.

The Directors has decided to reformulate the Group's business strategy by disposing the health supplement businesses, therefore, the Group has disposed the wholly-owned subsidiary, Genetech (Asia) Limited, to an independent third party on May 11, 2007. The Directors consider that the disposal will allow the Group to focus on its other core businesses, i.e. garment manufacture and trading. Further, the sale proceeds of approximately HK$8.88 million generated by the disposal will provide additional working capital for the Group.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our management team and employees for their efforts during the past year. I would like to thank our business associates and shareholders for their confidence and continued support.

On behalf of the Board

Kong Ho Pak
Chairman

Hong Kong, July 6, 2007

Corporate Governance Report

The Board is committed to promoting good corporate governance to safeguard the interests of shareholders. The Company set out its corporate governance practices by reference to the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The Company has complied with the code provisions set out in the CG Code for the year ended March 31, 2007 except for the deviations from code provision A.4.1.

Under the code provision A.4.1, the non-executive directors should be appointed for specific terms, subject to re-election. All of the Company’s non-executive directors are not appointed for specific terms. However, under the Bye-laws of the Company, at each annual general meeting, one third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors’ transactions in the securities of the Company on terms no less exacting than Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Company’s code of conduct in this respect throughout the year ended March 31, 2007 and up to the date of publication of this Annual Report.

BOARD OF DIRECTORS

The Board of Directors is accountable to the shareholders for the leadership and management and control of the business of the Company. The Board delegates to the Chief Executive Officer and his Management team day-to-day management of the Company’s business, including the preparation of annual and interim accounts and implementation of internal controls, in accordance with the strategy, policies and programs approved by the Board.

Corporate Governance Report

The Board of Directors held 4 meetings during the financial year. The attendance of individual members of the Board and other committees during the year ended March 31, 2007 is set out in the following table:

	Meetings attended/Eligible to attend			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Kong Ho Pak *(Chairman of the Board)*	2/4	–	–	–
Ling Tai Yuk, John *(Chief Executive Officer)*	2/4	–	–	–
Pang Hon Chung	4/4	–	–	–
Non-Executive Directors				
Ng Tze Kin, David	2/4	4/4	–	–
Chau Wai Yin, Jonathan *(Chairman of Remuneration Committee and Nomination Committee)*	0/4	–	0/1	0/1
Independent Non-Executive Directors				
Leung Shu Yin, William *(Chairman of Audit Committee)*	4/4	4/4	–	–
Lee Tsoh Ching, Jonathan	4/4	4/4	1/1	1/1
Keir, James	3/4	4/4	1/1	1/1

The Company considers that its Non-executive Directors and Independent Non-executive Directors bring to the Board a good mix of expertise and experience in the fields of accounting, investment and garment businesses. At least one of the Independent Non-executive Directors has appropriate accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules. Pursuant to the requirements of the Listing Rules, each Independent Non-executive Director has given the Company an annual confirmation in writing of his independence from the Company. The Company considers all the Independent Non-executive Directors to be independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationships with each other apart from the below. Mr. Kong Ho Pak ("Mr. Kong") and Mr. Ling Tai Yuk, John ("Mr.Ling") are brothers-in-law. Besides, they are also business partners. They are both the directors and shareholders of a private company incorporated in Hong Kong.

Mr. Pang Hon Chung ("Mr. Pang") is the director and general manager of a private company of which Mr. Kong is the major shareholder and director.

Corporate Governance Report

Mr. Pang is also a consultant of a certified public accountants firm practicing in Hong Kong of which Mr. Ng Tze Kin, David ("Mr. Ng") is both the director and shareholder. Besides, Mr. Pang is applying for being a director and shareholder of this firm but this has not yet been approved by the Hong Kong Institute of Certified Public Accountants.

Mr. Ng is a part-time partner of a certified public accountants firm practicing in Hong Kong. The firm provides the auditing services to some private companies of which Mr. Ling is both the director and shareholder.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and chief executive officer are segregated and are exercised by different individual. Mr. Kong Ho Pak was the chairman of the Company and responsible for the management of the Board. Mr. Ling Tai Yuk, John was the chief executive officer and responsible for the day-to-day management of the Company's businesses.

BOARD COMMITTEES

Currently the Company has set up three board committees, namely, Remuneration Committee, Nomination Committee and Audit Committee.

(a) Remuneration Committee

The Remuneration Committee was established in May 2005. It is responsible for overseeing the establishment and operation of formal and transparent procedures for developing the remuneration packages of directors. It also provides effective supervision and administration of the Company's share option schemes. The committee's authority and duties are set out in written terms of reference and are available on request.

Members of the Remuneration Committee are:

Chau Wai Yin, Jonathan *(Chairman)*
Lee Tsoh Ching, Jonathan
Keir, James

The Company's objectives for its remuneration policy are to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to Directors and senior management, market rates, director's workload and responsibilities and general economic situation would be taken into consideration.

The Remuneration Committee has held 1 meeting during the year. The following is a summary of work performed by the Remuneration Committee during the year:

i) make recommendation to the Company's remuneration policy for the senior management and Directors;

ii) recommendation for Non-Executive Directors' fees for the year to the Board for approval;

iii) review and approval of the remuneration packages for Executive Directors.

Details of emoluments of each director are set out in note 7 to the financial statements.

(b) Nomination Committee

The Nomination Committee was established in May 2005. It is responsible for reviewing the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes. The committee's authorities and duties are set out in written terms of reference and are available on request.

The Committee's objectives are to ensure formal, fair and transparent procedures for the new appointment and re-appointment of directors to the Board.

Members of the Nomination Committee are:

Chau Wai Yin, Jonathan *(Chairman)*
Lee Tsoh Ching, Jonathan
Keir, James

The Nomination Committee has held 1 meeting in the year. The following is a summary of work performed by the Nomination Committee during the year:

i) review the structure, size and composition of the Board;

ii) recommendation to the Board for approval relating to the retiring directors, namely Keir, James and Lee Tsoh Ching, Jonathan for re-election at the annual general meeting 2007;

iii) consideration of the independence of all the independent Non-Executive Directors.

(c) Audit Committee

The Company has established the Audit Committee in December 1999. The Audit Committee consists of 3 Independent Non-executive Directors and 1 Non-executive Director. One of the Independent Non-executive Directors has the appropriate professional qualification, accounting or related financial management expertise. The Audit Committee is chaired by Mr. Leung Shu Yin, William and the other members include Mr. Ng Tze Kin, David, Mr. Lee Tsoh Ching, Jonathan and Mr. James Keir.

The principal duties of the Audit Committee include, among other things, oversight of the relationship with external auditors, review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The terms of reference of the Audit Committee explaining its authorities and duties is available on request.

The Audit Committee held 4 meetings in the year. The following is a summary of work performed by the Audit Committee during the year:

i) review of the annual reports and results announcement for the year ended March 31, 2006, with a recommendation to the Board for approval;

ii) review of the external auditor's independence and report, approve the auditor's remuneration and recommend to the Board for the re-appointment of the external auditors at the 2006 annual general meeting;

iii) review the company's financial controls, internal control and risk management systems and discuss with the management;

iv) review of the interim report and the interim results announcement for the six months ended September 30, 2006, with a recommendation to the Board for approval;

v) review of transactions with the connected parties.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group and they are not aware of any events or conditions that may affect the Company's ability to continue as a going concern. The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on page 17.

The Board has conducted a review of the effectiveness of the system of internal control of the Group during the year. The review has covered all material controls, including financial, operational and compliance controls and risk management functions.

AUDITORS' REMUNERATION

The amount of fees charged by the Auditors generally depends on the scope and volume of the auditors' work. For the year ended March 31, 2007, the remuneration to the Auditors of the Company were approximately HK$497,000 for audit services and HK$35,600 for non-audit services comprising tax and consultancy services.

INVESTOR AND SHAREHOLDER RELATIONS

The Group responds to requests for information and queries from the investors. The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. The Board welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management directly.

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended March 31, 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 24 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2007 are set out in the consolidated income statement on page 19.

The directors recommend the payment of a final dividend of HK 3 cents per share and a special dividend of HK 29 cents per share to the shareholders on the register of member on August 24, 2007 amounting to approximately HK$53.4 million.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment amounting to approximately HK$1,079,000 were acquired by the Group for the expansion of its operations. Details of movements in property, plant and equipment during the year are set out in note 10 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2007 are as follows:

	2007	2006
	HK$'000	*HK$'000*
– Contributed surplus	**730**	5,741
– Accumulated profits	**54,989**	22,362
	55,719	28,103

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Ling Tai Yuk, John
Kong Ho Pak
Pang Hon Chung

Independent non-executive directors:

Keir, James
Lee Tsoh Ching, Jonathan
Leung Shu Yin, William

Non-executive directors:

Chau Wai Yin, Jonathan
Ng Tze Kin, David

In accordance with the Bye-laws of the Company, Messrs. Lee Tsoh Ching, Jonathan, Chau Wai Yin, Jonathan and Keir, James shall retire at the forthcoming annual general meeting and messrs. Lee Tsoh Ching, Jonathan and Keir, James being eligible, offer themselves for re-election.

The term of office of each director, including the non-executive directors, is for the period up to his retirement by rotation in accordance with the Bye-laws of the Company.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At March 31, 2007, the interests of the directors and their associates in the shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ling Tai Yuk, John	Beneficial owner	29,893,336	17.9%
	Held by a controlled corporation *(note)*	44,705,322	26.8%
		74,598,658	44.7%
Kong Ho Pak	Beneficial owner	6,647,530	4.0%
Ng Tze Kin, David	Beneficial owner	507,000	0.3%
Chau Wai Yin, Jonathan	Beneficial owner	10,000	0.01%

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.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at March 31, 2007.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme (the "Scheme") adopted on September 17, 2004 by a resolution passed by the Company's shareholders on September 17, 2004, the directors of the Company may grant options as incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") for the shares in the Company within a period of ten years commencing from September 17, 2004. No options have been granted under the Scheme since its adoption.

Details of the scheme is set out in note 20 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

At March 31, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that Mr. Ling Tai Yuk, John and his controlled corporation stated under paragraph headed "Directors' interests in shares and underlying shares" are the substantial shareholders of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at March 31, 2007.

DIRECTORS' INTEREST IN CONTRACTS

During the year, the Group paid rental charges amounting to HK$778,000 to Crown Regent Enterprise Limited, a company in which Mr. Ling Tai Yuk, John, a director of the Company, has a beneficial interest and HK$156,000 to Mr. Ling Tai Yuk, John.

During the year, the Company paid a consultancy fee of HK$120,000 to Yin Ping Corporate Services Ltd., a company in which Mr. Pang Hon Chung's spouse and brother have controlling and beneficial interests.

In addition, the Company also paid a consultancy fee of HK$37,600 and HK$50,000 to Hong Kong Great Wall Certified Public Accountants Limited and Great Wall Internal Audit Services Limited, respectively, companies in which Mr. Ng Tze Kin, David has controlling and beneficial interest.

Save as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

In accordance with rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), Mr. Ling Tai Yuk, John, a director of the Company, is deemed to have an interest in a business that may compete with the subsidiaries of the Company in the garment industry, as mentioned below:

1. He is a director and a substantial shareholder of Casual Center Garment Industries Limited ("Casual Center"), which is engaged in the manufacture and trading of garments;

2. He is a director of Pace Fashion Industries Limited ("Pace Fashion"), the principal activities of which are the leasing of properties to companies engaged in the manufacture of garments, the trading of garments and the design and sale of sample garment products; and

3. He is the sole proprietor of Progressive Industries ("Progressive") which is engaged in the trading of fabric and garments.

The Audit Committee is satisfied that there are sufficient internal controls to ensure that the Group is capable of carrying on its business independent of, and at arm's length from, Casual Center, Pace Fashion and Progressive.

Directors' Report

CONTINUING CONNECTED TRANSACTION

The Company ("the Tenant") entered into a tenancy agreement with Crown Regent Enterprise Limited ("the Landlord") to renew the tenancy relating to the Property (Suite 1114, Lippo Sun Plaza, 28 Canton Road, Kowloon, Hong Kong) on December 22, 2006. The Landlord is an associate of Mr. Ling Tai Yuk, John ("Mr. Ling"), the Chief Executive Officer, an executive director and a substantial shareholder of the Company with interest in about 44.7% of the issued share capital of the Company.

The tenancy agreement is for a term of 1 year from January 1, 2007 to December 31, 2007 at a monthly rental of HK$74,566 (HK$894,792 per annum) in cash. There is an option granted to the Tenant to renew the tenancy for a further term of 1 year at a rental mutually agreed between the Landlord and the Tenant. The Tenant is occupying the Property for its office. It entered into the Tenancy Agreement in order to continue such use for its business. During the year, the Company paid rental approximately HK$778,000 to the Landlord.

Besides, a motor vehicle leasing agreement for the motor vehicle (Nissan Infiniti with sunroof 4494 c.c. (2001)) was entered between Mr. Ling as Lessor and the Company as Lessee on March 13, 2006 for a term of one year (March 16, 2006 to March 15, 2007) at a monthly leasing charge of HK$13,000 (HK$156,000 per annum). The motor vehicle was used for the company's businesses. During the year, the Company paid leasing charge of HK$156,000 to Mr. Ling.

The independent non-executive directors of the Company has reviewed the above continuing connected transactions and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 20 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors' Report

CORPORATE GOVERNANCE

Principal corporate governance policies adopted by the Company are set out in the Corporate Governance Report on pages 6 to 10.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended March 31, 2007.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 23 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considered all of the independent non-executive directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended March 31, 2007:

1. The Group's largest customer and five largest customers accounted for approximately 97% (2006: 91%) and 100% (2006: 100%) respectively of the Group's total turnover for the year.

2. The Group's largest supplier and five largest suppliers accounted for approximately 26.1% (2006: 17.5%) and 45.1% (2006: 45%) respectively of the Group's total purchases for the year.

According to the understanding of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ling Tai Yuk, John
DIRECTOR

Hong Kong, July 6, 2007

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF GRANEAGLE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Graneagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 39, which comprise the consolidated balance sheet as at March 31, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at March 31, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
July 6, 2007

Consolidated Income Statement

For the year ended March 31, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Turnover		**161,850**	152,761
Cost of sales		**(137,213)**	(129,353)
Gross profit		**24,637**	23,408
Other income		**2,167**	1,248
Distribution and selling expenses		**(1,485)**	(1,106)
Administrative expenses		**(9,422)**	(11,273)
Profit before taxation		**15,897**	12,277
Taxation	6	**(1,341)**	(1,225)
Profit for the year	7	**14,556**	11,052
Earnings per share – basic	9	**8.71 HKcents**	6.62 HKcents

Consolidated Balance Sheet

At March 31, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current asset			
Property, plant and equipment	10	**2,769**	3,477
Current assets			
Inventories	11	**30,715**	22,696
Trade and other receivables	12	**18,190**	11,619
Pledged bank deposit	19	**9,040**	8,579
Bank balances and cash	13	**44,182**	42,831
		102,127	85,725
Current liabilities			
Trade and other payables	14	**18,311**	12,326
Taxation payable		**84**	341
		18,395	12,667
Net current assets		**83,732**	73,058
Total assets less current liabilities		**86,501**	76,535
Non-current liability			
Deferred taxation	15	**(62)**	(127)
Net assets		**86,439**	76,408
Capital and reserves			
Share capital	16	**1,670**	1,670
Reserves		**84,769**	74,738
Total equity		**86,439**	76,408

The financial statements on pages 19 to 39 were approved and authorised for issue by the Board of Directors on July 6, 2007 and are signed on its behalf by:

Ling Tai Yuk, John
DIRECTOR

Kong Ho Pak
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended March 31, 2007

	Share capital HK$'000	Contributed surplus (note 17) HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At April 1, 2005	1,670	60,737	3,781	–	2,301	68,489
Exchange difference arising on translation of foreign operations, recognised directly in equity	–	–	–	208	–	208
Profit for the year	–	–	–	–	11,052	11,052
Total recognised income for the year	–	–	–	208	11,052	11,260
Dividend paid	–	(3,341)	–	–	–	(3,341)
At March 31, 2006 and April 1, 2006	1,670	57,396	3,781	208	13,353	76,408
Exchange difference arising on translation of foreign operations, recognised directly in equity	–	–	–	486	–	486
Profit for the year	–	–	–	–	14,556	14,556
Total recognised income for the year	–	–	–	486	14,556	15,042
Dividend paid	–	(5,011)	–	–	–	(5,011)
At March 31, 2007	1,670	52,385	3,781	694	27,909	86,439

Consolidated Cash Flow Statement

For the year ended March 31, 2007

	2007	2006
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	**15,897**	12,277
Adjustments for:		
Bank interest income	**(2,125)**	(1,069)
Allowance for inventories	**1,047**	1,701
Depreciation	**1,550**	1,747
Impairment loss recognised in respect of property, plant and equipment	**166**	–
Gain on disposal of property, plant and equipment	**(5)**	(4)
Operating cash flows before movements in working capital	**16,530**	14,652
(Increase) decrease in inventories	**(9,066)**	7,886
(Increase) decrease in trade and other receivables	**(6,571)**	4,799
Increase (decrease) in trade and other payables	**5,985**	(11,577)
Cash generated from operations	**6,878**	15,760
Hong Kong Profits Tax paid	**(1,663)**	(1,720)
Net cash from operating activities	**5,215**	14,040
Investing activities		
Interest received	**2,125**	1,069
Purchase of property, plant and equipment	**(1,079)**	(789)
Proceeds from disposal of property, plant and equipment	**76**	7
Increase in pledged bank deposit	**(461)**	(435)
Net cash from (used in) investing activities	**661**	(148)
Cash used in financing activity		
Dividend paid	**(5,011)**	(3,341)
Net increase in cash and cash equivalents	**865**	10,551
Cash and cash equivalents at April 1	**42,831**	32,072
Effect of foreign exchange rate changes	**486**	208
Cash and cash equivalents at March 31 represented by bank balances and cash	**44,182**	42,831

Notes To The Consolidated Financial Statements

For the year ended March 31, 2007

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of the Annual Report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in garment manufacture and trading and details are set out in note 24.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

The Group has not early applied the following new standards, amendment, revision or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing costs [2]
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 arrangements [7]

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, as explained in accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Turnover

Turnover represents the net amounts received and receivable for goods sold during the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discount and sales related tax.

Sales of goods are recognised when goods are delivered to customers and title has passed.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating leases are recognised as a reduction of rental expense over the lease term on a straight line basis.

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 differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised 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 profit will be available against which deductible temporary differences can be utilised. 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Textile quotas

The cost of acquiring temporary textile quotas are dealt with in the income statement in the year in which they are utilised. Textile quotas allocated by the authorities are not capitalised and are not included as assets in the balance sheet.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables, pledged bank deposits and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities which include trade and other payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. Hong Kong dollars) 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.

Retirement benefit scheme

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expenses when employees have rendered service entitling them to the contributions.

4. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has trade receivables and pledged bank deposit denominated in foreign currencies (see notes 12 and 19), which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Interest bearing financial assets are mainly bank balances carried at prevailing market rate, that exposed the group to cash flow interest risk. The Group's fair value interest rate risk relate to the pledged bank deposits. However, such interest rate risk exposures are immaterial to the Group as the bank balances and pledged bank deposit are all short-term in nature.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at March 31, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on trade receivables is concentrated on a few customers. Trade receivables attributable to the Group's largest and second largest customer represent approximately 97% and 3% (2006: 93% and 7%) of the total trade receivables at the balance sheet date. The aggregate balance of the related trade receivables amounted to approximately HK$17,605,000 at March 31, 2007.

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

Fair values of financial assets and financial liabilities

The carrying amounts of bank balances and cash, pledged bank deposits, trade and other receivables, trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

5. SEGMENT INFORMATION

(A) Business segments

The Group's entire turnover and more than ninety percent of The Group's assets are contributed by its garment business and therefore no business segment analysis is presented.

(B) Geographical segments

The Group's operations are located in Hong Kong. All the Group's turnover and contribution to results were derived from the sales to the United States of America ("USA").

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USA	**17,605**	11,195	**–**	–
Hong Kong	**45,111**	42,950	**2**	–
Mainland China (the "PRC")	**33,301**	25,590	**1,077**	789
	96,017	79,735	**1,079**	789
Unallocated	**8,879**	9,467	**–**	–
	104,896	89,202	**1,079**	789

6. TAXATION

The taxation charge comprises:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– current year	**1,398**	1,304
– under(over) provision in prior years	**8**	(2)
	1,406	1,302
Deferred taxation		
– deferred taxation credit *(note 15)*	**(65)**	(77)
	1,341	1,225

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. TAXATION *(Continued)*

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

	2007 HK$'000	2006 HK$'000
Profit before taxation	**15,897**	12,277
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	**2,782**	2,148
Tax effect of expenses that are not deductible in determining taxable profit	**30**	89
Tax effect of income that is not taxable in determining taxable profit	**(1,696)**	(1,387)
Under(over) provision in prior years	**8**	(2)
Tax effect of unrecognised tax losses	**272**	597
Effect of different tax rate of a subsidiary operating in other jurisdiction	**(55)**	(220)
Tax charge for the year	**1,341**	1,225

7. PROFIT FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments *(note 7(a))*	**1,080**	820
Other staff costs	**3,265**	4,344
Other staff's retirement benefit scheme contributions	**140**	158
Total staff costs	**4,485**	5,322
Auditors' remuneration:		
– current year	**480**	443
– underprovision in prior years	**17**	–
Allowance for inventories	**1,047**	1,701
Cost of inventories recognised as expense	**133,537**	126,502
Depreciation	**1,550**	1,747
Impairment loss recognised in respect of property, plant and equipment	**166**	–
Net exchange loss	**281**	330
Operating lease rentals in respect of:		
– rented premises	**1,021**	914
– motor vehicle	**155**	236
Textile quota expenses	**2,629**	1,150
and after crediting:		
Bank interest income	**2,125**	1,069
Gain on disposal of property, plant and equipment	**5**	4

7. PROFIT FOR THE YEAR *(Continued)*

Notes:

(a) Information regarding directors' and employees' emoluments

The emoluments paid or payable to each of the eight (2006: eight) directors as follows:

	Ling Tai Yuk, John	**Kong Ho Pak**	**Pang Hon Chung**	**Keir, James**	**Lee Tsoh Ching, Jonathan**	**Leung Shu Yin, William**	**Chau Wai Yin, Jonathan**	**Ng Tze Kin, David**	**2007 Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Fees	50	50	50	50	50	80	50	50	430
Other emoluments									
Salaries and other benefits	650	–	–	–	–	–	–	–	650
	700	50	50	50	50	80	50	50	1,080

	Ling Tai Yuk, John	Kong Ho Pak	Pang Hon Chung	Keir, James	Lee Tsoh Ching, Jonathan	Leung Shu Yin, William	Chau Wai Yin, Jonathan	Ng Tze Kin, David	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	50	50	50	50	50	80	50	50	430
Other emoluments									
Salaries and other benefits	390	–	–	–	–	–	–	–	390
	440	50	50	50	50	80	50	50	820

No directors waived any emoluments in both years ended March 31, 2007 and March 31, 2006.

(b) Employees

The five highest paid individuals of the Group included one director (2006: one director), whose emoluments are disclosed above. The emoluments of the remaining four (2006: four) highest paid employees are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and others	**2,144**	1,880
Retirement benefit scheme contributions	**48**	46
	2,192	1,926

The emoluments of each of the four (2006: four) highest paid employees were below HK$1,000,000.

During the year, no emoluments (2006: nil) were paid by the Group to the five highest paid individuals of the Group (including directors) as an inducement to join or upon joining the Group or as compensation for loss of office. No director had waived any emoluments during both years.

8. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Ordinary shares:		
Final dividends paid – HK3 cents per share for the year ended March 31, 2006 (2006: HK2 cents per share for the year ended March 31, 2005)	**5,011**	3,341

A final dividend of HK3 cents per share and a special dividend of HK29 cents per share for the year ended March 31, 2007 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of HK$14,556,000 (2006: HK$11,052,000) and on 167,031,016 (2006: 167,031,016) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding in both years.

10. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *HK$'000*	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
COST					
At April 1, 2005	16,435	4,094	2,709	1,984	25,222
Additions	374	415	–	–	789
Disposals	(166)	(151)	–	–	(317)
At March 31, 2006	16,643	4,358	2,709	1,984	25,694
Additions	894	42	141	2	1,079
Disposals	(712)	(232)	(477)	–	(1,421)
At March 31, 2007	**16,825**	**4,168**	**2,373**	**1,986**	**25,352**
DEPRECIATION AND IMPAIRMENT					
At April 1, 2005	13,187	3,372	2,257	1,968	20,784
Provided for the year	1,266	281	184	16	1,747
Eliminated on disposals	(166)	(148)	–	–	(314)
At March 31, 2006	14,287	3,505	2,441	1,984	22,217
Provided for the year	1,114	295	139	2	1,550
Impairment loss recognised	–	105	61	–	166
Eliminated on disposals	(712)	(231)	(407)	–	(1,350)
At March 31, 2007	**14,689**	**3,674**	**2,234**	**1,986**	**22,583**
NET BOOK VALUES					
At March 31, 2007	**2,136**	**494**	**139**	**–**	**2,769**
At March 31, 2006	2,356	853	268	–	3,477

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Machinery and equipment	5 – $33^1/_3$%
Furniture and office equipment	10 – $33^1/_3$%
Motor vehicles	10 – 20%
Leasehold improvements	Shorter of the lease periods or 20%

11. INVENTORIES

	2007	2006
	HK$'000	HK$'000
Raw materials	18,129	13,931
Work in progress	9,526	6,047
Finished goods	3,060	2,718
	30,715	22,696

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivable of HK$17,605,000 (2006: HK$11,195,000). The following is an aged analysis of trade receivables:

	2007	2006
	HK$'000	HK$'000
0 – 30 days	17,605	10,956
31 – 60 days	–	239
	17,605	11,195

Credit policy:

Apart from payment by letter of credit, settlement is generally on an open account basis with credit terms ranging from 30 days to 60 days following the month of sale.

All trade receivables are denominated in United States dollars and subject to currency risk.

It is the policy of the Group to allow settlement on an open account basis only by customers who have a good payment record and well-established relationships with the Group. The credit period for such customers is reviewed periodically in response to financial conditions, orders on hand and other credit information.

13. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carry at market interest rate of 4.9% (2006: 4.4%) per annum with an original maturity of three months or less.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$13,919,000 (2006: HK$9,322,000). The following is an aged analysis of trade payables:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**12,268**	7,747
31 – 60 days	**1,618**	1,535
> 90 days	**33**	40
	13,919	9,322

15. DEFERRED TAXATION

A summary of the deferred tax liability recognised and movement thereon during the current and prior year is as follows:

	Accelerated tax depreciation
	HK$'000
At April 1, 2005	204
Credit to income for the year	(77)
At March 31, 2006	127
Credit to income for the year	(65)
At March 31, 2007	**62**

At the balance sheet date, the Group has unused tax losses of HK$13,897,000 (2006: HK$12,343,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

16. SHARE CAPITAL

	April 1, 2005, March 31, 2006 and March 31, 2007	
	Number of ordinary shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	167,031,016	1,670

17. CONTRIBUTED SURPLUS

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium of the then holding company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation on May 25, 1993, together with the amounts transferred from share capital and share premium account as a result of the capital reduction taken place in August 2001, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.

18. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make the following future minimum lease payments in respect of rented premises and a motor vehicle under non-cancellable operating leases with an average lease term of one year which fall due as follows:

	2007		2006	
	Rented premises	**Motor vehicle**	Rented premises	Motor vehicle
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within one year	**752**	**150**	665	150

19. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its bank deposit of HK$9,040,000 (2006: HK$8,579,000) to secure the banking facilities granted to the Group. The pledged deposit is denominated in United States dollars and subject to currency risk.

The deposit carries fixed interest rate of 4.9% (2006: 4.4%) per annum. The pledged bank deposit will be released upon expiry or cancellation of the banking facilities.

20. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on September 17, 2004 pursuant to a resolution passed by the Company's shareholders on September 17, 2004 for the primary purposes of providing incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") and will expire on September 16, 2014. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK$1 per option to the Eligible Employees to subscribe for shares in the Company.

The maximum number of shares issued or which may be issuable under the Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme at the date of adoption. The number of shares in respect of which options granted and may be granted to any Eligible Employee is not permitted to exceed 30% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer together with the payment of nominal consideration of HK$1 per option by the grantee.

An option may be exercised at any time during a period not exceeding twelve months commencing after the date the option is accepted. The expiry of the option may be determined by the Board of Directors of the Company which shall not later than the last day of such period.

20. SHARE OPTION SCHEME *(Continued)*

The exercise price is determined by the Directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the 5 trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

No options have been granted under the Scheme since its adoption.

21. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiary is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

22. RELATED PARTY TRANSACTIONS

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

	2007	2006
	HK$'000	*HK$'000*
Rental charges paid to related companies and a director *(note a)*	**934**	859
Consultancy fees paid to related companies *(note b)*	**208**	398

Notes:

(a) A director of the Company, Mr. Ling Tak Yuk, John, controls and has beneficial interests in these related companies.

(b) The spouse of a director controls and has beneficial interests in one of the three related companies. For the other related companies, two other directors of the Company control and have beneficial interests in these two companies separately.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 7.

23. POST BALANCE SHEET EVENT

On May 11, 2007, the Company entered into an agreement with an independent third party, Trump Star Limited, to dispose of a wholly-owned subsidiary of the Company, Gentech (Asia) Limited ("Gentech"), and the related loan advanced by the Group to Gentech at a consideration of HK$8,879,000. The directors are in the process of estimating the financial impact of such disposal.

Gentech was originally engaged in the development, production and distribution of health food and supplement products in the PRC and became inactive during the year ended March 31, 2007. The disposal was effected in order to allow the Group to focus on its core businesses, i.e. garment manufacture and trading, and to generate cash flows for providing the Group with additional working capital.

24. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at March 31, 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ registered capital held by the Company %	Principal activities
Directly held				
High Dragon Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Invigo Overseas Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Windstar Pacific Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Indirectly held				
Koniko Company Limited	Hong Kong/ Hong Kong and PRC	HK$20 Deferred** non-voting shares HK$22,143,000	100	Garment manufacture and trading

* All are ordinary shares unless otherwise stated.

** None of the deferred non-voting shares are held by the Group. The deferred non-voting 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.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company with limited liability, except for otherwise denoted, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

25. SUMMARISED BALANCE SHEET OF THE COMPANY

	2007	2006
	HK$'000	*HK$'000*
Assets	**61,663**	34,025
Liabilities	**493**	471
Net assets	**61,170**	33,554
Capital and reserves		
Share capital	**1,670**	1,670
Reserves	**59,500**	31,884
Total equity	**61,170**	33,554

Profit of the Company for the year ended March 31, 2007 amounted to approximately HK$32,627,000 (2006: HK$7,708,000).

Financial Summary

RESULTS

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**161,850**	152,761	176,258	165,307	175,914
Profit before taxation	**15,897**	12,277	11,701	8,191	4,927
Taxation	**(1,341)**	(1,225)	(1,165)	2,103	(1,034)
Profit for the year	**14,556**	11,052	10,536	10,294	3,893

ASSETS AND LIABILITIES

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**104,896**	89,202	93,355	86,017	68,119
Total liabilities	**(18,457)**	(12,794)	(24,866)	(24,723)	(17,119)
Shareholders' funds	**86,439**	76,408	68,489	61,294	51,000