Eagle Nice (International) Holdings Limited

鷹美(國際)控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2368)

Interim Report 2007

*For identification purpose only

The board of directors (the "Board") of Eagle Nice (International) Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007 together with the comparative unaudited figures for the corresponding period in 2006 and the relevant explanatory notes.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 September 2007 (Unaudited) HK$'000**	2006 (Unaudited) HK$'000
REVENUE	3	**385,231**	247,576
Cost of sales		**(299,312)**	(186,943)
Gross profit		**85,919**	60,633
Other income	4	**3,548**	3,765
Selling and distribution expenses		**(5,515)**	(2,259)
Administrative expenses		**(26,589)**	(21,833)
PROFIT BEFORE TAX	5	**57,363**	40,306
Tax	6	**(7,350)**	(7,352)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**50,013**	32,954
DIVIDENDS			
Interim dividend	7	**34,978**	25,620
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK11.39 cents**	HK7.72 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2007 (Unaudited) HK$'000	As at 31 March 2007 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**258,034**	202,895
Prepaid land lease payments		**69,839**	66,056
Prepayments and deposits for property, plant and equipment		**854**	854
Goodwill	9	**28,440**	–
		357,167	269,805
CURRENT ASSETS			
Inventories		**118,257**	52,002
Accounts and bills receivable	10	**139,817**	58,593
Prepayments, deposits and other receivables		**20,065**	5,886
Pledged deposits		**5,518**	5,518
Cash and cash equivalents		**255,899**	252,648
		539,556	374,647
CURRENT LIABILITIES			
Accounts and bills payable	11	**62,980**	29,662
Accrued liabilities and other payables		**106,101**	25,798
Tax payable		**15,135**	13,922
		184,216	69,382
NET CURRENT ASSETS		**355,340**	305,265
TOTAL ASSETS LESS CURRENT LIABILITIES		**712,507**	575,070
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**852**	1,252
		711,655	573,818
EQUITY			
Equity attributable to ordinary equity holders of the Company:			
Issued capital	12	**4,997**	4,270
Reserves		**671,680**	543,928
Proposed dividend		**34,978**	25,620
		711,655	573,818

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Statutory surplus reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Proposed dividend (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 April 2007	**4,270**	**359,932**	**(229)**	**10,945**	**14,363**	**7,844**	**151,073**	**25,620**	**573,818**
Final 2007 dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,620)**	**(25,620)**
Issue of share (Note 12)	**727**	**112,654**	**–**	**–**	**–**	**–**	**–**	**–**	**113,381**
Exchange realignment	**–**	**–**	**–**	**–**	**63**	**–**	**–**	**–**	**63**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**50,013**	**–**	**50,013**
Interim dividend (Note 7)	**–**	**–**	**–**	**–**	**–**	**–**	**(34,978)**	**34,978**	**–**
At 30 September 2007	**4,997**	**472,586**	**(229)**	**10,945**	**14,426**	**7,844**	**166,108**	**34,978**	**711,655**

For the six months ended 30 September 2006

	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Statutory surplus reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Proposed dividend (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 April 2006	4,270	359,932	(229)	5,731	1,737	3,469	129,808	25,620	530,338
Final 2006 dividend	–	–	–	–	–	–	–	(25,620)	(25,620)
Exchange realignment	–	–	–	–	3,008	–	–	–	3,008
Profit for the period	–	–	–	–	–	–	32,954	–	32,954
Interim dividend (Note 7)	–	–	–	–	–	–	(25,620)	25,620	–
At 30 September 2006	4,270	359,932	(229)	5,731	4,745	3,469	137,142	25,620	540,680

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash inflow/(outflow) from operating activities	**(10,151)**	8,878
Net cash inflow/(outflow) from investing activities	**65,645**	(21,380)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**55,494**	(12,502)
Cash and cash equivalents at beginning of period	**145,917**	215,117
Effect of change in foreign exchange rate, net	**63**	1,249
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**201,474**	203,864
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**201,474**	203,864

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 31 March 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairments
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

There was no material impact on the basis of preparation of the condensed consolidated interim financial statements arising from the adoption of the above-mentioned new and revised accounting standards.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs, which have been issued but not yet effective in these interim financial statements. The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and financial position of the Group.

HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. SEGMENT INFORMATION

An analysis of the Group's revenue and segment results by geographical segments is as follows:

	Revenue Six months ended 30 September (Unaudited)		Contribution to profit before tax Six months ended 30 September (Unaudited)	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
The People's Republic of China (the "PRC")	**210,571**	123,785	**42,304**	26,950
Japan	**74,449**	69,874	**19,456**	20,499
South Korea	**29,428**	13,090	**6,500**	3,289
Hong Kong	**12,946**	7,664	**3,110**	2,240
Others	**57,837**	33,163	**14,549**	7,655
	385,231	247,576	**85,919**	60,633
Other income			**3,548**	3,765
Unallocated expenses			**(32,104)**	(24,092)
Profit before tax			**57,363**	40,306

No information was disclosed in respect of the Group's business segments as the Group is solely engaged in the manufacturing and sale of sportswear and garments.

4. OTHER INCOME

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income	**3,450**	3,619
Rental income	**10**	134
Others	**88**	12
	3,548	3,765

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**14,301**	12,634
Amortisation of prepaid land lease payments	**915**	776

6. TAX

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax charge for the period:		
Hong Kong	**4,600**	3,750
Elsewhere	**3,150**	79
Underprovision of current tax in respect of a prior year	**–**	5,500
Deferred tax credit	**(400)**	(1,977)
Total tax charge for the period	**7,350**	7,352

Hong Kong profits tax for the six months ended 30 September 2007 has been provided at the rate of 17.5% (six months ended 30 September 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Company's certain subsidiaries in the PRC were granted tax relief under which they are exempted from the PRC enterprise income tax for the first two profit-making years and a 50% reduction in the PRC enterprise income tax for the succeeding three years. Moreover, under the relevant tax laws and regulations in the PRC, the Company's subsidiaries in the PRC may set off loss incurred by them in a financial year against profits made by them in the succeeding financial year or years, subject to a maximum of five financial years.

7. INTERIM DIVIDEND

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend declared of HK$0.07 per share (2006: HK$0.06 per share)	**34,978**	25,620

At the meeting on 30 November 2007, the Board resolved that an interim dividend of HK$0.07 per share for the six months ended 30 September 2007 to be paid to the shareholders whose names appear on the Company's register at the close of business on 14 December 2007.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company for the period of approximately HK$50,013,000 (six months ended 30 September 2006: approximately HK$32,954,000) and the weighted average of 438,914,754 (six months ended 30 September 2006: 427,000,000) ordinary shares in issue during the period, calculated as follows:

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 April	**427,000,000**	427,000,000
Effect of issuance of new shares on 1 September 2007	**11,914,754**	–
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**438,914,754**	427,000,000

(b) Diluted earnings per share

Diluted earnings per share for both periods have not been disclosed as no diluting events existed during these periods.

9. GOODWILL

As explained in note 13, goodwill arose from acquisition of 100% equity interest in Wayable International Inc. and its wholly-owned subsidiaries (the "Acquired Group") at an aggregate consideration of approximately HK$118,959,000. The goodwill of approximately HK$28,440,000 is wholly attributable to the Acquired Group.

10. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts receivable mainly relate to a few recognised and creditworthy customers. The credit period is generally for a period of 30 days. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are regularly reviewed by the management of the Group. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on the invoice date, is as follows:

	As at 30 September 2007 (Unaudited) HK$'000	As at 31 March 2007 (Audited) HK$'000
Within 30 days	**118,907**	57,845
31 to 60 days	**12,604**	608
61 to 90 days	**7,405**	102
Over 90 days	**901**	38
	139,817	58,593

11. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on invoice date, is as follows:

	As at 30 September 2007 (Unaudited) HK$'000	As at 31 March 2007 (Audited) HK$'000
Within 90 days	**60,944**	28,788
91 to 180 days	**1,341**	302
181 to 365 days	**526**	553
Over 365 days	**169**	19
	62,980	29,662

12. SHARE CAPITAL

	Number of Shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 March 2007 and 30 September 2007	10,000,000,000	100,000
Issued and fully paid:		
At 31 March 2007 and 1 April 2007	427,000,000	4,270
Issue of new shares	72,680,000	727
At 30 September 2007	499,680,000	4,997

13. BUSINESS COMBINATION

On 1 September 2007, the Group completed the acquisition of a 100% interest in the Acquired Group ("the Acquisition"). The Acquired Group is principally engaged in the trading and manufacturing of sportswear. The consideration for the Acquisition amounted to approximately HK$118,959,000, which was satisfied by the issue of an aggregate of 72,680,000 ordinary shares of HK$0.01 each in the share capital of the Company (the "Share") at an issue price of HK$1.56 per Share (the "Consideration Share(s)") by the Company (equivalent to HK$113,380,800) and cash consideration of approximately HK$4,322,000. The remaining balance of HK$1,256,200 was costs and expenses directly attributable to the Acquisition. This transaction has been accounted for using the acquisition method of accounting.

The market price of the Consideration Shares at the date of their issuance was HK$2.40 per Share (equivalent to HK$174,432,000), which gave rise to a difference of HK$61,051,200 between the issue price and the market price of the Consideration Shares. The issue price of HK$1.56 per Consideration Share is considered to be fair value for the purpose of calculating the consideration for the Acquisition as the issue price was determined after arm's length negotiations between the Group and the vendors of the Acquired Group with reference to the closing price of HK$1.56 per Share as quoted on The Stock Exchange of Hong Kong Limited on the date of the signing of the non-legally binding memorandum of understanding in respect of the Acquisition on 14 March 2007 (the "MOU"). Given that the basic structure of the Acquisition has been essentially agreed on the date of the signing of the MOU, the Board believes that the fair value of the Consideration Shares should be fixed by reference to the closing price of the Shares on that day and any subsequent increase in the price of the Shares, which is not within the contemplation of the parties, should be disregarded. As such, the Board believes that the discount of the issue price of the Consideration Shares is justifiable in the circumstances and considers the same to be fair and reasonable.

The fair values of the identifiable assets and liabilities of the Acquired Group as at the completion date of the Acquisition and the corresponding carrying amounts immediately before the completion date of the Acquisition were as follows:

	Note	Carrying amount before acquisition HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired				
Property, plant and equipment		40,269	21,258	61,527
Prepaid land lease payments		3,811	–	3,811
Inventories		5,144	–	5,144
Accounts and bills receivable		27,208	–	27,208
Prepayments, deposits and other receivables		4,062	–	4,062
Cash and bank balances		23,406	–	23,406
Accounts and bills payable		(3,992)	–	(3,992)
Accrued liabilities and other payables		(27,439)	–	(27,439)
Tax payable		(3,208)	–	(3,208)
		69,261	21,258	90,519
Goodwill on Acquisition	9			28,440
Total consideration				118,959
Satisfied by:				
Consideration Share				113,381
Cash consideration				4,322
Direct costs relating to the Acquisition				1,256
				118,959

An analysis of the net inflow of cash and cash equivalents in respect of the Acquisition is as follows:

	HK$'000
Cash consideration paid	(5,578)
Cash and bank balances acquired	23,406
Net inflow of cash and cash equivalents in respect of the Acquisition	17,828

The goodwill on Acquisition represents value obtainable from synergies with the Group and opportunities for the Group to benefit from the Acquired Group's expertise in lean manufacturing, and new markets and customers provided by the Acquired Group.

The Acquired Group during the period contributed HK$4,719,000 to the Group's revenue and a loss of HK$1,495,000 to the Group's results for the period between the completion date of the Acquisition and the balance sheet date.

Had the combination taken place at the beginning of the period, the revenue and the net profit of the Group for the six month ended 30 September 2007 would have been HK$444,068,000 and HK$62,049,000 respectively.

14. CAPITAL COMMITMENTS

The Group had the following capital commitment at the balance sheet date:

	As at 30 September 2007 (Unaudited) HK$'000	As at 31 March 2007 (Audited) HK$'000
Contracted, but not provided for:		
Acquisition of properties in the PRC	**2,829**	–
Purchase of computer equipment	**–**	570
	2,829	570

15. POST BALANCE SHEET EVENTS

On 19 November 2007, a wholly-owned subsidiary of the Company entered into a provisional agreement for sale and purchase with the purchaser, an independent third party, for the disposal (the "Disposal") of the property situated at Flat B on the 8th Floor of Tower 1 of Harbourfront Landmark, No.11 Wan Hoi Street, Kowloon, Hong Kong. The consideration for the Disposal is HK$26 million. All the normal conveyancing procedure will be completed on or before 15 February 2008. Upon completion of the Disposal, the Company is expected to record a gain on disposal of approximately HK$11 million. Details of which have been disclosed in the Company's announcement dated 19 November 2007.

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 November 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the Group Results and Operation

For the six months ended 30 September 2007, the Group's sales rose by approximately 56% to approximately HK$385 million against approximately HK$248 million for the corresponding period in 2006. The rise in sales was mainly attributable to an increase in orders from existing customers, diversification of customer base and successful production of high-valued products. During the period under review, the gross profit margin decreased from approximately 24% to approximately 22% while the net profit margin remained at approximately 13% when compared to the corresponding period last year. The Group's selling and distribution expenses increased by approximately 144% or approximately HK$3 million during the period, which was in line with the increase in sales during the period under review. Administrative expenses also increased by approximately 22% or approximately HK$5 million over the corresponding period last year mainly due to employment of additional staff to cater for the expansion of business of the Group.

The increase in sales was accompanied by a decrease in gross profit margin, which reflects the challenging operating environment of the Group of rising production cost and keen competition in traditional manufacturing industry. During the period under review, the business environment remained tough with the constant appreciation of Renminbi, resulting in rising labour and overhead costs. In addition, to keep the competitiveness of our products in the market, we have to maintain the price at competitive level. As a result, the inflated cost could not be passed to customers easily. The Group has tried to mitigate these effects by enhancing our productivity in order to achieve the benefit of economies of scale in production and engagement in production of high-end products to improve the diminishing profit margin.

Business Review

Acquisition

To enhance the Group's productivity and achieve diversification of target markets and customers, during the period under review, the Group completed the acquisition of the entire equity interests in a group of companies which comprises, among other things, a Taiwan company and a PRC company (the "Acquired Group") whose principal businesses are manufacturing and trading of sportswear. The acquisition of the Acquired Group not only allows the Group to diversify its customer base but also enable the Group to enter into the markets especially the US and Europe where the Group did not historically have a strong footprint. Besides, provision of additional production lines and approximately 80,000 square meters of land available for further expansion of production plant by the Acquired Group have enabled the Group to expand its existing and potential productivity.

Market review

In terms of geographical markets, the PRC has become a dominant market of the Group as the proportion of the Group's sales to the PRC amounted to over half of the total sales of the Group during the period under review. With the continuous surge of the PRC's economy and the increasing purchasing power and rising popularity of sports activities in the PRC, such trend of rising sales growth in the PRC sector is expected to continue in the coming years. We believe that the PRC's economy and consumer market will continue to prosper following the 2008 Beijing Olympic Games and the coming mega-events such as the 2010 Shanghai Expo, the 2010 Guangzhou Asian Games and the 2011 Shenzhen University Games, which will continue to support the Group's business growth in the PRC market.

Lean Manufacturing

With effect from 2 October 2007, Mr. Chen Hsiao Ying and Ms. Chen Li Ying were appointed as Executive Director of the Company. Mr. Chen Hsiao Ying was also appointed as the Chief Executive Officer of the Group. Both Mr. Chen and Ms. Chen are experts in lean manufacturing, which is a generic process management leading to production of goods using less of everything: less human effort, less manufacturing space, less investment in tools in the whole production process. With their expertise in lean manufacturing, it is expected that the existing production management can be greatly improved by steady elimination of wastage, cost reduction and improvement of quality and production time.

Future Plan and Prospects

With the keen competition and price pressure from the customers, production of high-end products with better pricing and profit margin is the best way for the Group to improve the diminishing profit margin. The Group will continue to put more and more focus and resources on research and development in order to provide quick response to rapidly changing markets and customers' request.

At present, most of our sales are confined mainly to the Asian markets and therefore, opening up new markets is our main task in the coming year in order to provide room for the Group's business expansion. US and European markets will be our next target markets. In addition, to establish the Group as one of the top-tier business partners of international sportswear brands, the Group intends to develop production bases in various countries in order to diversify the political risks of changes in government policies. To achieve that, the Group will keep looking for investment opportunities in territories other than the PRC with supply of cheap labour and production facilities and provision of tax incentives such as Vietnam.

Liquidity and Financial Resources

During the period under review, the Group continued to maintain a strong liquidity position. The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers. As at 30 September 2007, the Group had cash and cash equivalents amounted to approximately HK$256 million mainly denominated in Hong Kong dollars, US dollars and Renminbi (31 March 2007: approximately HK$253 million). As at 30 September 2007, the Group had no outstanding borrowings (31 March 2007: nil), and an aggregate banking facilities of approximately HK$137 million (31 March 2007: approximately HK$137 million) secured by (i) a pledged deposit of the Group; (ii) corporate guarantees executed by the Company and (iii) unlimited corporate guarantees executed by three subsidiaries of the Company.

The management believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms. There is no material effect of seasonality on the Group's borrowing requirements.

As at 30 September 2007, the Group's gearing ratio represented by total liabilities as a percentage of the Group's total assets amounted to approximately 21% (31 March 2007: approximately 11%).

For the six months ended 30 September 2007, the Group was not subject to any significant exposures to foreign exchange rate risk. Hence, no financial instrument for hedging was employed.

As at 30 September 2007, the Group did not have any significant contingent liabilities (31 March 2007: nil). As at 30 September 2007, the Company had given corporate guarantee to banks to the extent of approximately HK$137 million (31 March 2007: approximately HK$137 million) for banking facilities granted to certain subsidiaries of the Company.

Significant Investments

As at 30 September 2007, there was no significant investment held by the Group (31 March 2007: nil).

Employees and Remuneration Policies

As at 30 September 2007, the Group employed a total of approximately 6,400 employees including directors (31 March 2007: approximately 5,400).

The employees are remunerated based on their work performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme for the employees of the Group in Hong Kong and to the central pension scheme for the employees of the Group in the PRC.

Material Acquisition or Disposal of Subsidiaries and Associated Companies

There was no material disposal of subsidiaries and associated companies during the six months ended 30 September 2007. Details of the acquisition of a subsidiary of the Company during the period are set out in note 13.

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2007, the interests and short positions of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under section 352 of the 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 Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

The Company:

Name of director	Capacity/Nature of interest	Number of shares held Long position	Number of shares held Short position	Approximate percentage of issued share capital of the Company
Chung Yuk Sing	Interest in a controlled corporation/ Corporate	95,150,000 (Note)	–	19.04%
Kuo Tai Yu	Beneficial owner/ Personal	1,680,000	–	0.34%
Tsang Sau Fan	Beneficial owner/ Personal	4,500,000	–	0.90%
Chen Zhen Hao	Beneficial owner/ Personal	1,350,000	–	0.27%
Lin Pin Huang, Otto	Beneficial owner/ Personal	1,043,000	–	0.21%
Tsai Nai Kun	Beneficial owner/ Personal	777,000	–	0.16%

Note: These shares are held by Time Easy Investment Holdings Limited ("Time Easy"). The entire issued share capital of Time Easy is held by Mr. Chung Yuk Sing.

Save as disclosed above, as at 30 September 2007, none of the directors or chief executive had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register that was required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2007, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares held Long position	Short position	Approximate percentage of issued share capital of the Company
Time Easy	Beneficial owner/ Personal	95,150,000 (Note 1)	–	19.04%
Pou Chen Corporation ("PCC")	Interest in a controlled corporation/ Corporate	192,000,000 (Note 2)	–	38.42%
Wealthplus Holdings Limited ("Wealthplus")	Interest in a controlled corporation/ Corporate	192,000,000 (Note 2)	–	38.42%
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	Interest in a controlled corporation/ Corporate	192,000,000 (Note 2)	–	38.42%
Pou Hing Industrial Co. Ltd. ("Pou Hing")	Interest in a controlled corporation/ Corporate	192,000,000 (Note 2)	–	38.42%
Great Pacific Investments Limited ("Great Pacific")	Beneficial owner/ Personal	192,000,000 (Note 2)	–	38.42%
Chen Hsiao Ying	Beneficial owner/ Personal	26,164,800 (Note 3)	–	5.24%

Notes:

1. The entire issued share capital of Time Easy is held by Mr. Chung Yuk Sing.

2. PCC owns the entire interest in Wealthplus, which in turns owns an interest of approximately 47.4% in Yue Yuen. Yue Yuen owns the entire interest in Pou Hing, which in turn owns the entire interest in Great Pacific.

3. Mr. Chen Hsiao Ying was appointed as the Chief Executive Officer and an executive director of the Company with effect from 2 October 2007.

Save as disclosed above, as at 30 September 2007, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Directors' Interest in a Competing Business

Interest of the director of the Company in a competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules is as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Mr. Ku Yu Sun, Edward ("Mr. Ku")	Yuen Thai Industrial Company Limited ("Yuen Thai") (Note)	Garment manufacturing	As a director

Note: Yuen Thai is a company incorporated in Hong Kong on 24 September 2003 and is held as to 50% by Yue Yuen and its subsidiaries (the "Yue Yuen Group") and 50% by a subsidiary of Luen Thai Holdings Limited, a company listed on the Stock Exchange since 2004. Mr. Ku has been nominated by the Yue Yuen Group to represent its interest on the board of directors of Yuen Thai.

Having considered (i) the nature, geographical market, scope and size of Yuen Thai as compared to those of the Group; and (ii) the nature and extent of Mr. Ku's interest in Yuen Thai, the directors of the Company believe that there is unlikely to be any significant competition caused to the business of the Group.

Save as disclosed above, none of the directors of the Company or their respective associates was interested in, apart from the Group's business, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Share Option Scheme

Since 6 August 2003, the Company has conditionally adopted a share option scheme whereby eligible participants of the share option scheme, including any employee (whether full-time or part-time) and any director of the Company and/or any of its subsidiaries whom the Company's board of directors (the "Board") may think fit with reference to their respective contributions to the Group, may be granted options which entitle them to subscribe for the shares of the Company. Details of the share option scheme are set out in note 24 to the financial statements of the Company for the year ended 31 March 2007.

As at 30 September 2007, no share options had been granted under the share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the Board, the Company has complied with the Code Provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2007 except for the deviations as mentioned below.

A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct for dealing in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2007.

AUDIT COMMITTEE

The Company has an audit committee which was established on 6 August 2003 and in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2007 have been reviewed by the Company's audit committee.

REMUNERATION COMMITTEE

A remuneration committee of the Company was established pursuant to the requirements of the Listing Rules. The remuneration committee comprises two independent non-executive directors, namely, Mr. Chan Cheuk Ho and Mr. Li Chi Chung and one executive director, namely, Mr. Chung Yuk Sing.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 December 2007 to 18 December 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the proposed interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 14 December 2007.

On Behalf of the Board
Chung Yuk Sing
Chairman

Hong Kong, 30 November 2007

As at the date of this report, the board of directors of the Company comprises nine executive directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Ms. Chen Li Ying, Mr. Kuo Tai Yu, Mr. Lin Pin Huang, Otto, Mr. Tsai Nai Kun, Ms. Tsang Sau Fan, Mr. Ku Yu Sun, Edward and Mr. Chen Zhen Hao, and three independent non-executive directors, namely, Mr. Chan Cheuk Ho, Mr. Li Chi Chung and Mr. Cheng Yung Hui, Tony.