GRANEAGLE Holdings Limited

(Stock Code: 147)

INTERIM REPORT 2007

CONTENTS

The board of directors (the "Board" or "Directors") of Graneagle 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 (the "Period").

These interim financial statements have not been audited nor reviewed by the Company's auditors, Deloitte Touche Tohmatsu, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited six months ended 30 September	
		2007	2006
	Notes	**HK$'000**	HK$'000
TURNOVER	*4*	**92,978**	78,101
Cost of sales		**(82,413)**	(67,450)
Gross profit		**10,565**	10,651
Other revenue and gains		**1,234**	1,056
Distribution costs		**(524)**	(529)
Administrative expenses		**(5,023)**	(4,386)
PROFIT FROM OPERATING ACTIVITIES	*5*	**6,252**	6,792
Gain on disposal of subsidiaries	*6*	**755**	–
PROFIT BEFORE TAXATION		**7,007**	6,792
Taxation charge	*7*	**(541)**	(540)
PROFIT FOR THE PERIOD		**6,466**	6,252
EARNINGS PER SHARE	*9*		
Basic		**3.87 cents**	3.74 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited as at 30 September 2007 HK$'000	Audited as at 31 March 2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,179**	2,769
CURRENT ASSETS			
Inventories		**16,855**	30,715
Trade and other receivables	*11*	**11,553**	18,190
Pledged bank deposit	*13*	**–**	9,040
Cash and bank balances		**27,793**	44,182
		56,201	102,127
CURRENT LIABILITIES			
Trade and other payables	*12*	**18,932**	18,311
Taxation payable		**644**	84
		19,576	18,395
NET CURRENT ASSETS		**36,625**	83,732
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,804**	86,501
NON-CURRENT LIABILITY			
Deferred taxation		**43**	62
		38,761	86,439
CAPITAL AND RESERVES			
Share capital	*14*	**1,670**	1,670
Reserves		**37,091**	84,769
Total equity		**38,761**	86,439

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated (Losses) profit HK$'000	Total HK$'000
Balance as at 1 April 2006	1,670	57,396	3,781	208	13,353	76,408
Exchange difference arising on translation of foreign operations	–	–	–	176	–	176
Dividend paid	–	(5,011)	–	–	–	(5,011)
Profit for the period	–	–	–	–	6,252	6,252
Balance as at 30 September 2006	1,670	52,385	3,781	384	19,605	77,825
Balance as at 1 April 2007	**1,670**	**52,385**	**3,781**	**694**	**27,909**	**86,439**
Dividend paid	**–**	**(730)**	**–**	**–**	**(52,720)**	**(53,450)**
Released upon disposal of subsidiaries	**–**	**–**	**–**	**(694)**	**–**	**(694)**
Profit for the Period	**–**	**–**	**–**	**–**	**6,466**	**6,466**
Balance as at 30 September 2007	**1,670**	**51,655**	**3,781**	**–**	**(18,345)**	**38,761**

Note:

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 25 May 1993, together with the amounts transferred from share capital and share premium account as a result of the capital reduction which took place in August 2001, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 September 2007 HK$'000	2006 HK$'000
Net cash generated from operating activities	**26,848**	11,711
Net cash generated from investing activities	**10,116**	143
Net cash used in financing activities	**(53,450)**	(5,011)
Net (decrease)/increase in cash and cash equivalents	**(16,486)**	6,843
Cash and cash equivalents at beginning of Period	**44,182**	42,831
Effect on foreign exchange rate changes	**97**	176
Cash and cash equivalents at end of Period	**27,793**	49,850
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**27,793**	49,850

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2007.

The following new standards and interpretations which are relevant to the Group's operations have been issued and effective as at the time of preparing this information:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of such standards or interpretations did not result in substantial changes to the Group's accounting policies.

The Group had not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 January 2008*
[3] *Effective for annual periods beginning on or after 1 July 2008*

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Financial risk management

The Group's financial instruments include trade and other receivables, bank deposit, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks assoicated with these financial instruments and the policies on how to mitigate these risks are set out below.

(a) Currency risk

The Group has trade receivable and bank deposits denominated in foreign currencies, 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.

(b) 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 bank deposits. However, such interest rate risk exposures are immaterial to the Group as the bank balances and bank deposits are all short term in nature.

(c) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 September 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the condensed 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 addtion, 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.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Trade and other receivables

The Group makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Impairments are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debt expenses in the period in which such estimate has been changed.

(b) Inventories

Inventories are measured at lower of cost and net realisable value. The Group reviews the carrying amount of inventories at each balance sheet date, and make allowance for inventory items identified, if any, to be carried at lower recoverable value through estimation of the expected selling prices under the current market conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Turnover and segment information

(A) Business segment

The Group's turnover and operating profit were solely contributed by garment business during the periods ended 30 September 2007 and 2006.

(B) Geographical segment

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

5. Profit from operating activities

	Unaudited six months ended 30 September	
	2007	2006
	HK$'000	HK$'000
Profit from operating activities has been arrived at after charging:		
Directors' emoluments	**542**	300
Other staff's costs	**1,620**	1,658
Other staff's retirement benefit scheme contributions	**63**	70
	2,225	2,028
Allowance for inventories	**1,967**	1,565
Depreciation	**637**	777
Operating lease rentals in respect of:		
– rented premises	**447**	487
– motor vehicle	**78**	78
Textile quota expenses	**2,059**	1,512
Cost of inventories recognised as expense	**78,387**	64,373
and after crediting:		
Bank interest income	**1,179**	1,021

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Disposal of subsidiaries

On 11 May 2007, the Group entered into an agreement with an independent third party to dispose of the entire issue share capital of Gentech (Asia) Limited ("Gentech") and the shareholder's loan due to the Group by Gentech for a consideration of approximately HK$8,879,000. Gentech was orginally engaged in the development, production and distribution of health food and supplement products in the PRC and became inactive during the year ended 31 March 2007. The transaction was completed on 23 May 2007.

The net assets of Gentech at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	153
Trade and other receivables	42
Bank and cash balances	8,759
Trade and other payables	(35)
	8,919
Release of translation reserve	(795)
	8,124
Gain on disposal	755
Total consideration	8,879

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

	HK$'000
Cash consideration	8,879
Cash and bank balance disposed of	(8,759)
	120

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Taxation charge

	Unaudited six months ended 30 September 2007 HK$'000	2006 HK$'000
Hong Kong Profits Tax	**(560)**	(562)
Deferred taxation	**19**	22
	(541)	(540)

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period.

As at the balance sheet date, the Group has unused tax losses of approximately HK$14,887,000 (31 March 2007: HK$13,897,000) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

8. Dividends

	Unaudited six months ended 30 September 2007 HK$'000	2006 HK$'000
Paid:		
2006 final dividend of HK$0.03 per share for the year ended 31 March 2006	**–**	5,010
2007 final and special dividend of HK$0.03 and HK$0.29 per share for the year ended 31 March 2007	**53,450**	–
	53,450	5,010
Proposed	**–**	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Earnings per share

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders for the Period of HK$6,466,000 (2006: HK$6,252,000) and on the weighted average number of 167,031,016 (2006:167,031,016) ordinary shares in issue during the Period.

No diluted earnings per share figures have been shown as there were no dilutive potential ordinary shares outstanding for both of the periods.

10. Property, plant and equipment

The movements in property, plant and equipment during the Period is summarised as follows:

	HK$'000
Net book value as at 1 April 2007	2,769
Additions	198
Disposal of subsidiaries	(153)
Depreciation	(637)
Exchange adjustment	2
Net book value as at 30 September 2007	2,179

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Trade and other receivables

Included in trade and other receivables are trade receivables of approximately HK$9,746,000 (31 March 2007: HK$17,605,000).

The aging analysis for trade receivables is as follows:

	Unaudited as at 30 September 2007 HK$'000	Audited as at 31 March 2007 HK$'000
Within 30 days	**9,684**	17,605
Over 30 days but less than 60 days	**62**	–
	9,746	17,605

Note:

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.

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

12. Trade and other payables

Included in trade and other payables are trade payables of approximately HK$14,983,000 (31 March 2007: HK$13,919,000).

The aging analysis for trade payables is as follows:

	Unaudited as at 30 September 2007 HK$'000	Audited as at 31 March 2007 HK$'000
Within 30 days	**9,914**	12,268
Over 30 days but less than 60 days	**4,900**	1,618
Over 60 days but less than 90 days	**74**	–
Over 90 days	**95**	33
	14,983	13,919

13. Pledge of assets

As at 30 September 2007, none of the Group's asset had been pledged to secure general banking facilities granted to the Group (31 March 2007: HK$ 9,040,000).

14. Share capital

	Unaudited as at 30 September 2007 HK$'000	Audited as at 31 March 2007 HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
167,031,016 ordinary shares of HK$ 0.01 each	**1,670**	1,670

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Related party transactions

(A) Rental charges and consultancy fees paid

	Unaudited six months ended 30 September 2007 HK$'000	2006 HK$'000
Rental charges paid to a director and a related company (note a)	**525**	448
Consultancy fees paid to related companies (note b)	**110**	110

Notes:

(a) A director of the Company, Mr. Ling Tai Yuk, John, controlled and had beneficial interests in this related company.

Mr. Ling Tai Yuk, John had resigned as director of the Company with effect from 16 October 2007.

(b) The spouse of a director controlled and had beneficial interests in one of these two related companies. For another related company, one director of the Company controlled and had beneficial interest in the company.

The aforesaid directors had resigned as directors of the Company with effect from 16 October 2007.

(B) Guarantee

As at 30 September 2007, a personal guarantee to the extent of HK$5,800,000 had been given by Ling Tai Yuk, John, a director of the Company's wholly owned subsidiary, to secure banking facilities granted to that wholly owned subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Related party transactions (continued)

(C) Key management compensation

	Unaudited six months ended 30 September	
	2007	2006
	HK$'000	HK$'000
Salaries	**542**	300

16. Post balance sheet events

(a) On 10 October 2007, the Group entered into a loan agreement and obtained a loan facility (the "Loan") of HK$36,000,000 from an independent third party. The Loan would be available for drawdown within 17 months starting from the date of the loan agreement. The Loan was interest bearing at 1% per month and was secured by the entire shareholding of a wholly owned subsidiary of the Group.

Subsequently, an amount of HK$36,000,000 was drawn down by the Group as additional working capital.

(b) On 14 November 2007, the Company entered into an agreement with Long Grand Limited. Pursuant to the agreement, the Company agreed to issue to Long Grand Limited 170,000,000 ordinary shares at the issue price of HK$0.15 each and two-year zero coupon convertible bonds ("Subscription Bonds") in an aggregate amount of HK$124,500,000, which are convertible into shares at an initial conversion price of HK$0.15 per share (subject to adjustments) with the unlisted warrants of the Company ("Subscription Warrants") (in proportion of one Subscription Warrant for every four new shares to be issued upon the exercise of the conversion rights attaching to the Subscription Bonds) attached conferring right to subscribe up to HK$31,125,000 in aggregate in cash for new shares at an initial subscription price of HK$0.15 per share (subject to adjustments).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Post balance sheet events (continued)

(c) On 14 November 2007, the Company entered into an agreement with Emperor Securities Limited (the "Placing Agent"). Pursuant to the agreement, the Placing Agent agreed to place two-year zero coupon convertible bonds ("Placing Bonds") up to an aggregate principal amount of HK$60,000,000, which are convertible into new shares at an initial conversion price of HK$0.15 per share (subject to adjustments) with the unlisted warrants of the Company ("Placing Warrants") (in proportion of one Placing Warrant for every four new shares to be issued upon the exercise of the conversion rights attaching to the Placing Bonds) attached conferring rights to subscribe up to HK$15,000,000 in aggregate in cash for new shares at an initial subscription price of HK$0.15 per share (subject to adjustments).

17. Contingent liability

The Group did not have any significant contingent liability as at the balance sheet date.

18. Approval of the interim financial statements

These condensed interim financial statements were approved by the board of directors on 17 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's turnover for the Period was approximately HK$92,978,000 (2006: HK$78,101,000). The turnover increased by 19% as compared with the corresponding period in 2006 ("2006 Interim Period") and such increase was due to the increase in sales volume to the Group's United States customers. The Group's gross profit margin decreased from 13.6% in 2006 to 11.4% in 2007 and the profit from operating activities decreased by 8% as compared with 2006 Interim Period. The decrease in gross profit for the Period was mainly attributable to the substantial increase in the subcontracting charges for garment manufacturing in China. The decrease in profit from operation for the Period was caused by the 14.5% increase in the administrative expenses. The increase in the administrative expenses was mainly due to a 10% increase in staff costs (including directors' emoluments) from HK$2 million for the 2006 Interim Period to HK$2.2 million for the Period and a five times increase in professional fees from HK$110,000 for the 2006 Interim Period to HK$671,000 for the Period. The sharp rise in professional fees was due to provision for legal and financial advisers' fee made for the Group's corporate exercise in relation to a conditional mandatory general offer by Rich Wing Investments Limited ("Rich Wing") to acquire all the issued shares of the Company as announced by the Company on 29 August 2007.

The Group disposed of a wholly-owned subsidiary, Gentech (Asia) Limited in May 2007, resulting in a gain of HK$755,000 (after releasing the translation reserve of HK$795,000). Details of the disposal was announced by the Company on 15 May 2007.

The Group was able to maintain overheads in line with the level of business activities. The Group's net profit for the Period increased by 3.4% from HK$6.25 million in the 2006 Interim Period to HK$6.47 million in the Period while the basic earnings per share increased from 3.74 cents in 2006 to 3.87 cents in 2007.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial position and liquidity

The Group's financial position remained strong during the Period, allowing the Group to rely principally on its internal resources to fund its operation and investment activities. The gearing ratio of the Group, which is expressed as a percentage of total borrowings to shareholders' funds, remains at 0% for the last six months.

The Group's exposure to foreign currency risk is insignificant because the majority of its income and expenses were denominated in US dollars.

Employees

As at 30 September 2007, the Group maintained 14 employees, whose salaries were reviewed and adjusted annually based on performance and experience. Other employee benefits included mandatory provident fund and educational subsidies which were offered to promote staff development. There is a share option scheme in place designed to award employees for their performance at the discretion of the directors. There was no share option granted to any employee during the Period.

Capital structure

As at 30 September 2007, the Company has a total of 167,031,016 shares of HK$0.01 each in issue.

On 14 November 2007, the Company entered into an agreement ("Subscription Agreement") with Long Grand Limited ("Long Grand"). Pursuant to the Subscription Agreement, the Company agreed to issue to Long Grand 170,000,000 ordinary shares at HK$0.15 each ("Subscription Shares") and two-year zero coupon convertible bonds ("Subscription Bonds") in an aggregate amount of HK$124,500,000, which are convertible into shares at an initial price of HK$0.15 per share (subject to adjustments) with the unlisted warrants of the Company ("Subscription Warrants") (in proportion of one Subscription Warrant for every four new shares to be issued upon the exercise of the conversion rights attaching to the Subscription Bonds) attached conferring right to subscribe up to HK$31,125,000 in aggregate in cash for new shares at an initial subscription price of HK$0.15 per share (subject to adjustments).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital structure (Continued)

On 14 November 2007, the Company entered into an agreement ("Placing Agreement") with Emperor Securities Limited (the "Placing Agent"). Pursuant to the Placing Agreement, the Placing Agent agreed to place two-year zero coupon convertible bonds ("Placing Bonds") up to an aggregate principal amount of HK$60,000,000, which are convertible into new shares at an initial conversion price of HK$0.15 per share (subject to adjustments) with the unlisted warrants of the Company ("Placing Warrants") (in proportion of one Placing Warrant for every four new shares to be issued upon the exercise of the conversion rights attaching to the Placing Bonds) attached conferring rights to subscribe up to HK$15,000,000 in aggregate in cash for new shares at an initial subscription price of HK$0.15 per share (subject to adjustments).

Future plans and prospects

The controlling shareholder of the Company was changed in September 2007 upon completion of the acquisition of 81,246,188 shares (represented 48.64% of the then issued shares) of the Company by Rich Wing and the board composition was changed subsequently in October 2007. Apart from strengthening the existing garment business, the new Board also exposed themselves to new business opportunities so as to diversify the business scope of the Group. After the disposal of Gentech (Asia) Limited in May 2007, the Company has been actively seeking for new investment opportunities. On 22 October 2007, Surplus Rich Investments Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding letter of intent with Harbin Ai Da Investment Limited (哈爾濱愛達投資置業有限公司), an independent third party, pursuant to which the parties expressed the intention to form a joint venture to undertake property development and sale in China. It is expected that the registered capital of the joint venture shall be RMB300 million and Surplus Rich Investments Limited shall contribute 55% thereof (i.e. RMB165 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Future plans and prospects (Continued)

Rich Wing was approached by Long Grand in October 2007, upon which Long Grand had expressed its interests in acquiring a majority interests of the Company for the purpose of exploiting the Group's existing garment business and the new business opportunity regarding the formation of a joint venture to engage in property development in China. On 14 November 2007, Long Grand and the Company jointly announced the agreement to sell 81,246,188 shares owned by Rich Wing to Long Grand, the Subscription Agreement, the Placing Agreement, and a possible general offer ("Offer") to acquire the shares of the Company by Long Grand. It is indicated in the announcement that Long Grand, if it became the controlling shareholder of the Company, it would continue to run the existing garment business of the Group and to continue the negotiation in relation to the joint venture with Harbin Ai Da Investment Limited. Long Grand will also consider other suitable investments or business opportunities should they arise.

It is expected that new board members will be appointed by Long Grand to replace the existing Board after the close of Offer. The Directors consider that the entering into Subscription Agreement and the Placing Agreement is a good opportunity for the Group to introduce new investors and investment funding for the future development of the Group. Upon completion of the Subscription Agreement and the Placing Agreement, which is expected to be in late December 2007, a net estimated proceed of approximately HK$208 million will be available for the Group's utilisation. The proceeds are intended to be utilised as general working capital of the Group and for business development under the new joint venture. If no agreement can be reached in relation to the joint venture, the proceeds will be used as general working capital and investment funding for new projects of the Group.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September, 2007, the interests of the Directors and their associates in the shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Long position in ordinary shares of HK$0.01 each of the Company:

Director	Holding capacity	Number of ordinary shares held	% of the issued share capital of the Company
Ng Tze Kin, David	Beneficial owner	7,000	0.004%

Mr. Ng was a non-executive Director and had resigned from the Board with effect from 16 October 2007.

2. Interests in associated corporations

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

Director	Holding capacity	Number of issued shares held
Ling Tai Yuk, John	Beneficial owner	1,550,010 non-voting deferred shares
Kong Ho Pak	Beneficial owner	664,290 non-voting deferred shares

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.

Mr. Ling and Mr. Kong were executive Directors and had resigned from the Board with effect from 16 October 2007.

Save as disclosed above, as at 30 September, 2007, none of the Directors, chief executives nor their associates had or was deemed to have any interest or short position in the shares or underlying shares of the Company or its associated corporations as recorded in the register maintained under Section 352 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 17 September 2004. Under the scheme, 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 for the shares in the Company within a period of ten years commencing from 17 September 2004. No options have been granted under the Scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 September 2007, so far as known to any Director or chief executive of the Company, the following persons or corporations (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company were as follows:

Long position in ordinary shares of HK$0.01 each of the Company:

Name	Holding capacity	Number of ordinary shares held	% of the issued share capital of the Company
Rich Wing Investments Limited ("Rich Wing")	Beneficial owner	81,246,188 *(Note)*	48.64%

Note:

Rich Wing is wholly owned by Dr. Yeung Sau Shing, Albert ("Dr. Yeung") and therefore, Dr. Yeung is deemed to be interested in the 81,246,188 shares held by Rich Wing. Ms. Luk Siu Man, Semon, the spouse of Dr. Yeung, is also deemed to be interested in the 81,246,188 shares held by Rich Wing.

Save 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 recorded in the register maintained under Section 336 of the SFO as at 30 September, 2007.

CORPORATE GOVERNANCE

Throughout the interim period, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules on the Stock Exchange 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company' s listed securities during the Period.

By Order of the Board
Fan Man Seung, Vanessa
Director

Hong Kong, 17 December 2007

As at the date hereof, the Board of the Company comprises 1. Executive Directors: Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa; and 2. Independent Non-executive Directors: Mr. Law Ka Ming, Michael, Mr. Leung Shu Yin, William and Ms. Yip Kam Man.