



MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

Interim Report 2007



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Chan Oi Ling, Maria Olimpia (*Chairperson*)
Lam Yu Ho, Daniel (*Managing Director*)
Au Yeung Kai Chor
Wong, Dickie
Peter Temple Whitelam

Independent Non-Executive Directors

Lui Wai Shan, Wilson
Cheung Ngai Lam
Chan Sze Hung
Kristi L Swartz

COMPANY SECRETARY

Chiu Wing Keung, Frank

QUALIFIED ACCOUNTANT

Chiu Wing Keung, Frank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor, Po Chai Industrial Building
28 Wong Chuk Hang Road
Aberdeen
Hong Kong

WEBSITE ADDRESS

www.mascotte.com

PRINCIPAL BANKERS

Standard Chartered Bank
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia Limited, Guang Zhou Branch
DBS Bank (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS

Bermuda

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

INTERIM RESULTS

The Board of Directors (the “Board”) of Mascotte Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007 – unaudited

		Six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Turnover	3	103,752	111,538
Cost of sales		(69,623)	(76,536)
Gross profit		34,129	35,002
Other income		2,465	921
Selling and distribution costs		(5,036)	(5,029)
Administrative expenses		(22,853)	(18,231)
Gain on disposal of property, plant and equipment		10,131	–
Realised loss on disposal of financial assets at fair value through profit or loss		(27,026)	–
Unrealised loss of financial assets at fair value through profit or loss		(20,004)	–
Finance costs		(2,292)	(981)
Profit (loss) before taxation	4	(30,486)	11,682
Income tax expense	5	(1,649)	(2,082)
Profit (loss) for the period		(32,135)	9,600
Attributable to:			
Equity holders of the Company		(32,422)	9,894
Minority interests		287	(294)
		(32,135)	9,600
Interim dividend	6	–	–
Earnings (loss) per share			
Basic	7	HK(5.5) cents	HK2.3 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007 – unaudited

	Notes	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Non-current assets			
Investment properties		185,628	210,575
Property, plant and equipment		22,704	47,479
Prepaid lease payments		7,055	5,927
		215,387	263,981
Current assets			
Financial assets at fair value through profit or loss	8	212,693	–
Inventories		12,561	12,764
Prepaid lease payments		725	588
Trade and bills receivables	9	32,038	38,898
Loans receivable		7,423	6,885
Other receivables and prepayments		9,275	7,188
Income tax recoverable		22	22
Bank balances and cash		46,559	14,895
		321,296	81,240
Current liabilities			
Trade payables	10	15,770	13,535
Other payables and accrued charges		16,273	14,025
Deposits received		20,000	–
Income tax payable		9,834	8,915
Unsecured loan from a financial institution		20,000	–
Bank borrowings		37,183	28,740
Bank overdrafts		–	223
		119,060	65,438
Net current assets		202,236	15,802
		417,623	279,783
Capital and reserves			
Share capital	11	94,226	44,400
Reserves		319,957	192,115
Equity attributable to equity holders of the Company		414,183	236,515
Minority interests		3,440	3,037
Total equity		417,623	239,552
Non-current liability			
Bank borrowings		–	40,231
		417,623	279,783

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007 – unaudited

	Attributable to Equity Holders of the Company									
	Share capital	Share premium	Special reserve	Translation reserve	Enterprise		Retained profits	Total	Minority Interests	Total
					Reserve fund	expansion reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	44,400	73,272	48,231	(2,313)	1,083	1,083	70,758	236,514	3,038	239,552
Exchange movement during the period recognised directly in equity	-	-	-	6,373	-	-	-	6,373	115	6,488
Placements of shares	16,976	59,416	-	-	-	-	-	76,392	-	76,392
Issue of shares under share option scheme	1,600	5,760	-	-	-	-	-	7,360	-	7,360
Issue of shares pursuant to conversions of Convertible Notes	31,250	93,750	-	-	-	-	-	125,000	-	125,000
Share issue expenses	-	(5,034)	-	-	-	-	-	(5,034)	-	(5,034)
Net (loss) for the period	-	-	-	-	-	-	(32,422)	(32,422)	287	(32,135)
At 30 September 2007	94,226	227,164	48,231	4,060	1,083	1,083	38,336	414,183	3,440	417,623
At 1 April 2006	42,400	66,672	14,901	(23)	1,083	1,083	64,458	190,574	3,205	193,779
Exchange movement during the period recognised directly in equity	-	-	-	2,070	-	-	-	2,070	(3)	2,067
Acquisition of assets and liabilities through acquisition of a subsidiary	-	-	16,631	-	-	-	-	16,631	-	16,631
Net profit for the period	-	-	-	-	-	-	9,894	9,894	(294)	9,600
Total recognised income for the period	-	-	16,631	2,070	-	-	9,894	28,595	(297)	28,298
Dividend paid	-	-	-	-	-	-	(4,240)	(4,240)	-	(4,240)
At 30 September 2006	42,400	66,672	31,532	2,047	1,083	1,083	70,112	214,929	2,908	217,837

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT*For the six months ended 30 September 2007 – unaudited*

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash from (used in) operations activities	38,497	(12,909)
Net cash used in investing activities	(196,250)	(21,639)
Net cash from financing activities	189,640	7,166
Net increase (decrease) in cash and cash equivalents	31,887	(27,382)
Cash and cash equivalents at beginning of the period	14,672	44,619
Cash and cash equivalents at end of the period	46,559	17,237
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	46,559	18,165
Bank overdrafts	–	(928)
	46,559	17,237

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values.

The accounting policies adopted are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2007, except the Group adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRS") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 April 2007. The adoption of these new HKFRSs has no material financial impact on the accounting policies of the Group and the methods of computation in the Group's interim financial statements.

3. SEGMENTS INFORMATION

The Group is currently organised into two operating divisions – manufacture and sales of goods, and property investment (i.e. rental of properties).

Analysis of the Group's turnover and contribution to operating profit by business segments is as follows:

Business segments

	Six months period ended 30 September 2007		
	Manufacture and sales of goods (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
TURNOVER			
To external customers	99,625	4,127	103,752
Segment results	8,014	1,985	9,999
Unallocated other income and gains			11,241
Unallocated expenses and losses			(49,434)
Finance costs			(2,292)
Profit (loss) before taxation			(30,486)
Income tax expense			(1,649)
Profit (loss) for the period			(32,135)

3. SEGMENTS INFORMATION (Continued)

Business segments (Continued)

	Six months ended 30 September 2006		
	Manufacture and sales of goods (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
TURNOVER			
To external customers	109,283	2,255	111,538
Segment results	11,525	1,567	13,092
Unallocated other income and gains			150
Unallocated expenses and losses			(579)
Finance costs			(981)
Profit before taxation			11,682
Income tax expense			(2,082)
Profit for the period			9,600

Geographical segments

The Group's sales of goods are principally carried out in Europe, United States of America, Hong Kong and other regions of the PRC. Property investment is carried out in Hong Kong and other regions of the PRC.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Six months ended 30 September	
	2007 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) <i>HK\$'000</i>
Europe	55,440	65,735
United States of America	16,662	15,796
Hong Kong	5,154	6,140
Other regions in the PRC	9,064	7,147
Others	17,432	16,720
	103,752	111,538

4. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging:

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,452	1,673
Impairment loss on receivables	3,000	–
Interest on borrowings from banks and a financial institution	2,292	980
Gain on disposal of property, plant and equipment	(10,131)	–
Release of prepaid lease payments	363	226

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Hong Kong Profits Tax	1,000	1,800
Other regions in the PRC	649	282
	1,649	2,082

Hong Kong Profits Tax is calculated at 17.5% (2006:17.5%) of the estimated assessable profits for the period. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

There was no material unprovided deferred tax for the interim period (2006: Nil).

6. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2007 (2006: Nil).

7. EARNINGS (LOSS) PER SHARE – BASIC

The calculation of basic earnings (loss) per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Earnings (loss) for the purpose of basic earnings (loss) per share	(32,422)	9,894

	Number of shares	
	2007 '000	2006 '000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	587,998	424,000

No diluted earnings per share has been presented as there were no potential dilutive ordinary shares in issue during the six months period ended 30 September 2007 and 2006.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Listed equity securities in Hong Kong	212,693	–

9. TRADE AND BILLS RECEIVABLES

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Trade receivables	31,296	37,411
Bills receivables	742	1,487
	32,038	38,898

Aged analysis of trade receivable:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 60 days	30,768	14,779
61 – 150 days	528	22,632
More than 150 days	–	–
	31,296	37,411

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 60 – 150 days.

10. TRADE PAYABLES

Aged analysis of trade payables:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 60 days	15,725	13,535
61 – 150 days	–	–
More than 150 days	45	–
	15,770	13,535

11. SHARE CAPITAL

Movement during the period in the share capital of the Company were as follows:

	Notes	Unaudited At 30 September 2007		Audited At 31 March 2007	
		Number of Shares	Nominal value HK\$'000	Number of Shares	Nominal value HK\$'000
Authorised:					
Ordinary shares of HK\$0.1 each					
At beginning of period/year		1,000,000,000	100,000	1,000,000,000	100,000
Increased during the period/year	(c)	9,000,000,000	900,000	–	–
At balance sheet date		10,000,000,000	1,000,000	1,000,000,000	100,000
Issued and fully paid:					
At beginning of period/year		444,000,100	44,400	424,000,100	42,400
Issue of shares for acquisition		–	–	20,000,000	2,000
Issue of shares under share option scheme	(a)	16,000,000	1,600	–	–
Placements of shares	(b)&(d)	169,760,000	16,976	–	–
Issue of shares pursuant to conversions of convertible notes	(e)	312,500,000	31,250	–	–
At balance sheet date		942,260,100	94,226	444,000,100	44,400

Notes:

- (a) On 5 May 2007, 16,000,000 shares options were granted to the employees under the share option scheme at an exercise price of HK\$0.46 per ordinary shares of HK\$0.1 each. These share options were fully exercised on 7 May 2007.
- (b) On 8 June 2007, the Company entered into a placing agreement with Chung Nam Securities Limited (“Chung Nam”), as placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on an underwritten basis, 64,800,000 shares to independent investors at a price of HK\$0.45 per share.

11. SHARE CAPITAL (Continued)

Notes: (Continued)

- (c) At the special general meeting held on 11 July 2007, the authorized share capital of the Company were increased from HK\$100,000,000 divided into 1,000,000,000 shares to HK\$1,000,000,000 divided into 10,000,000,000 shares by the creation of additional 9,000,000,000 unissued shares of HK\$0.1 each.
- (d) On 17 July 2007, the Company entered into a placing agreement with Chung Nam, as placing agent, pursuant to which the placing agent agreed to place on an underwritten basis 104,960,000 shares to independent investors at a price of HK\$0.45 per share.
- (e) On 17 July 2007, the Company entered into a placing agreement with Chung Nam, as placing agent, pursuant to which, the placing agent agreed, on a best effort basis, to place up to HK\$500,000,000 principal amount of zero coupon convertible notes due on 15 December 2010, convertible into 1,250,000,000 shares at the initial conversion price of HK\$0.40 per share to independent investors ("CN Placing Agreement").
- (i) At the special general meeting held on 16 August 2007, a resolution was passed for the CN Placing Agreement in relation to the convertible notes at an aggregate principal amount up to HK\$500,000,000.
- (ii) On 27 August 2007, the Company announced that the placing of first tranche of the convertible notes of in aggregate principal amount of HK\$125,000,000 was completed and issued in August 2007. As a result, the Company had issued and allotted a total of 312,500,000 shares to 11 independent placees at the conversion price of HK\$0.40 per conversion share.

12. SHARE OPTION SCHEME

- (a) Movement in share option scheme during the period ended 30 September 2007 – unaudited

Name of participant	Date of grant	As at 1 April 2007	Granted during the period	Exercise during the period	As at 30 September 2007	Exercise price HK\$	Share price at the date of grant (note i)	Share price at the date of exercise (note ii)
Qualified allottees in aggregate	7 May 2007	-	16,000,000	(16,000,000)	-	0.46	0.46	0.60

Notes:

- (i) The share price at the date of grant is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.
- (ii) The share price at the date of exercise is the Stock Exchange closing price on the trading date at the date of exercise of the options.

No share options were granted, lapsed, exercise or expired under the Scheme during the year ended 2007.

- (b) Fair value of share options

The directors assessed and considered that the fair value of share options granted under the share option scheme at the date of grant date is immaterial in the interim financial statements.

13. RELATED PARTY TRANSACTION

During the period, the following related party transactions took place:

(i) Transaction with directors' related companies:

Name of party	Directors' interest	Nature of transaction	As at 30 September 2007 (Unaudited) HK\$'000	As at 30 September 2006 (Unaudited) HK\$'000
Techford Development Ltd	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	78	78
Wing Nin Trading Co., Ltd	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	96	96

(ii) Transaction with a minority shareholder:

Name of party	Nature of transaction	As at 30 September 2007 (Unaudited) HK\$'000	As at 30 September 2006 (Unaudited) HK\$'000
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expense	470	450

Rental expenses represent amounts agreed with reference to the market rate between the respective management of the companies concerned.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months period ended 30 September 2007, the Group achieved a turnover of approximately HK\$103.7 million, representing a decrease of 7.0% when compared with previous corresponding period. The gross profit ratio remained steady, as compared with previous corresponding period.

Loss attributable to equity holders of the Company for the six months period ended 30 September 2007 amounted to approximately HK\$32.4 million (2006: profits of HK\$9.9 million). The loss was the combined results of: (a) realized and unrealized loss on financial assets at fair value through profit and loss of HK\$47.0 million; (b) gain on disposal of property, plant and equipment of HK\$10.1 million; and (c) impairment loss of receivable of HK\$3.0 million. As the securities market price fluctuates from time to time, the unrealised loss on financial assets at fair value through profit and loss may be reversed by financial year end.

Earnings (loss) per share for the six months period ended 30 September 2007 was HK(5.5) cents (2006: HK2.9 cents).

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2007 (2006: Nil).

BUSINESS REVIEW AND PROSPECTS

Manufacture and Sale of Photographic, Electrical and Multimedia Accessories

During the period under review, the Group's segment turnover was decreased from HK\$109.3 million to HK\$99.6 million, representing a decrease of 8.9% as compared with previous corresponding period. The dropped in sales was mainly caused by one of the Group's electronics partners was put into receivership in October 2007, and which caused the revenues for electrical accessories decreased by HK\$10.4 million as compared with previous corresponding period.

Europe continued to be the Group's largest market, accounting for approximately 53.4% of the total turnover of this period (2006: 60%). Total export sales to Europe decreased to HK\$55.4 million (2006: HK\$65.7 million), representing a decrease of 15.7% as compared to that of the last corresponding period. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market.

In term of product category of photographic, electrical and multimedia accessories, the sale of photographic and multimedia accessories recorded encouraging growth this period. The demand of the Group's photographic and multimedia accessories remained strong and healthy and the Group's photographic and multimedia accessories turnover was increased by HK\$16.7 million, representing an increase of 23.8% over the last corresponding period.

Property Portfolio Refinement

During this financial year, the Group's property letting income was approximately HK\$4.1 million (2006: HK\$2.2 million), an increase by 86% when compared with last corresponding period. The growth was mainly attributable to the inclusion of property letting income of a PRC property located in Guangzhou, PRC being acquired since the end of July 2006.

Having regard to the recent property market in Hong Kong and the PRC, the directors had reviewed the property portfolio and disposed of certain properties in order to realize the gain in property appreciation. In June 2007, the Group disposed of certain investment properties and leasehold building for the total of consideration of HK\$59 million, and such disposals improved the cash flow of the Group.

Prospects

For the manufacture and sales of goods segment, the management continues to focus on new revenue channels within the Group's core business of accessories for photographic, multimedia and electrical products. The demand for digital SLR camera bags is still increasing steadily, reflected in the Group's increased turnover within its historical core customer base for photographic accessories. This is reflected in the turnover for photographic products, which has increased by 13.8% as compared with previous corresponding period. New product launches by major hardware manufacturers in Q3 of 2007 and anticipated launches at the PMA tradeshow in Las Vegas in January of 2008 should further fuel growth in this area. One of the Group's electronics partners was put into receivership in October 2007, which caused the revenues for electrical accessories to plunge by 67.2% as compared with previous corresponding period. Nevertheless, with the expertise gained over the past six years in integrated products, the management believes it can leverage the expertise to work with other technologies in the market to continue to make an impact in this manufacturing sector. A presence at the Hong Kong Electronic Shows in April and October has helped to a continued growth with multimedia accessories up 35.5% as compared with previous corresponding period.

The Group continues to focus on the prospects of increasing its market share in the US as well as the Asian market in the second half of the year. Conservative investment in innovative R&D for integrated electronic products and developments with a company manufacturing a revolutionary pigment based solar technology for the use in bags, will allow the Group to further penetrate new market segments. Keeping costs tight and concentrating on its core competencies, the Group seeks to continue its expansion in both electronic and multimedia accessories over the coming year.

During the period, with a favorable stock market sentiment and a strong local economy, the Company has been strengthened its capital base through a series of placing of shares, issuance of convertible notes and exercise of share options. As a result, the Company raised a total of approximately HK\$208.8 million (before issue expenses) through placing of new shares, issue of HK\$125 million convertible notes and the exercise of share options.

The Company intends to apply the proceeds towards general working capital or other investments in future. As the Company does not have any identified investment plans at present, the directors are constantly looking for investment opportunities.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

As at 30 September 2007, the Group recorded a total bank balances and cash of HK\$46.5 million (as at 31 March 2007 of HK\$14.9 million). Moreover, the Group had current assets of HK\$321.3 million (as at 31 March 2007 of HK\$81.2 million). The Equity attributable to equity holders of the Company was of HK\$414.2 million (as at 31 March 2007 of HK\$236.5 million) and the total borrowings from banks and a financial institution were of HK\$57.2 million (as at 31 March 2007 of HK\$69.0 million); and accordingly, the gearing ratio was of 13.8% (as at 31 March 2007 of 29.2%).

The Company had fully repaid all outstanding borrowings from banks and a financial institution of approximately HK\$56 million in November 2007.

Pledge of Assets

At 30 September 2007, the Group had the following pledges over its assets to secure banking facilities granted to the Group.

- (a) Investment properties with an aggregate carrying value of HK\$151.9 million (as at 31 March 2007: HK\$154.2 million).
- (b) Leasehold land and buildings with an aggregate carrying value of HK\$8.1 million (as at 31 March 2007: HK\$26.6 million).
- (c) Prepaid lease payments with an aggregate carrying value of HK\$7.8 million (as at 31 March 2007: HK\$6.5 million).

Save as disclosed above, as at 30 September 2007, margin facilities from a securities broker were granted to the Company which were secured by the Company's financial assets at fair value through profit and loss. As at 30 September 2007, a total amount of HK\$65,000 (as at 31 March 2007: Nil) was utilized against these facilities and the total carrying amount of the financial assets at fair value through profit and loss pledged to the securities broker is HK\$212,693,000 (as at 31 March 2007: Nil).

Contingent Liabilities

The Group has no material contingent liabilities as at the balance sheet date.

Currency Risk Management

The Group's largest sale market is Europe, which alone accounts for around 53% of the Group's sales turnover. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting US Dollar quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2007, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employee based on their work performance and with reference to prevailing condition of labor markets.

DIRECTORS' INTERESTS IN SECURITIES

At the 30 September 2007, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in issued shares and underlying shares

Name of director	Number of issued ordinary shares held		Percentage of issued share capital of the Company
	Personal interest	Held by controlled corporation	
Ms. Chan Oi Ling, Maria Olimpia (<i>note 1</i>)	–	193,340,000	20.52%
Ms. Wong, Dickie (<i>note 2</i>)	3,500,000	–	0.37%

Notes:

- (1) These Shares are held by Honeyard Corporation, the entire issued share capital of which is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries
- (2) Ms. Wong, Dickie is the daughter of Ms. Chan Oi Ling, Maria Olimpia.

In addition to the above, each of Ms. Chan Oi Ling, Maria Olimpia and Mr. Lam Yu Ho, Daniel holds 500,000 non-voting deferred shares in Mascotte Investments Limited, a subsidiary of the Company. Honeyard Corporation holds one non-voting deferred share in Newland Kingdom Limited, a subsidiary of the Company.

Save as disclosed above, as at 30 September 2007, other than certain nominee shares in subsidiaries held by Ms. Chan Oi Ling, Maria Olimpia, none of the directors nor their associates had any interests or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed companies.

At no time during the period 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 debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, the following persons (other than directors or chief executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital:

Long position in issued shares and underlying shares

Name	Nature of interests	Number of shares	Percentage of shareholding (approximate)
Honeyard Corporation (Note 1)	Beneficial interests	193,340,000	20.52%
Bestco Worldwide Investment Limited	Beneficial interests	80,000,000	8.49%
Radford Capital Investment Limited (Note 2)	Beneficial interests	76,768,000	8.15%
Unity Investments Holdings Limited (Note 3)	Beneficial interests	106,126,000	11.26%

Notes:

- (1) These Shares are held by Honeyard Corporation, the entire issued share capital of which is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia, Chairperson of the Company and an executive Director, are discretionary beneficiaries
- (2) Radford Capital Investment Limited (stock code: 901), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Winning Horse Limited.
- (3) Unity Investments Holdings Limited (stock code: 913), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Gufalore Investments Limited, and its indirect wholly-owned subsidiary, Great Panorama International Limited, a direct wholly-owned subsidiary of Gufalore Investments Limited.

Save as disclosed above, as at 30 September 2007, no persons (other than directors or chief executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months period ended 30 September 2007.

CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules during the six months period ended 30 September 2007 except for the following deviations:

1. Code Provision A.2.1 provides that the roles of chairperson and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title of CEO, and it deviates from the Code. Ms. Chan Oi Ling, Maria Olimpia is the chairperson and has also carried out the responsibilities of CEO. Ms. Chan possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board considers the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company’s strategies.
2. Code Provision A.4.1 provides that non-executive directors should be appointed for specific terms, subject to re-election. The independent non-executive directors (“INEDs”) of the Company are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to Bye-law 87(1) of the current Bye-laws of the Company, each director shall be subject to retirement by rotation at least once every three years at the annual general meeting. This means that the terms of appointment of the directors, including INEDs, cannot exceed three years.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). On specific enquiries made, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive directors, namely Mr. Cheung Ngai Lam (chairman of audit committee), Mr. Lui Wai Shan, Wilson and Ms. Kristi L Swartz.

The unaudited interim financial statements for the six months period ended 30 September 2007 of the Group have been reviewed by the audit committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises three independent non-executive directors, namely Mr. Cheung Ngai Lam (chairman of remuneration committee), Mr. Lui Wai Shan, Wilson and Ms. Kristi L Swartz. The Remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the directors and senior management and providing advice and recommendation to the directors of the Company.

During the period, the Company's remuneration committee made recommendations to the Board in relation to the granting of share option to employees of the Group. The Board approved and adopted their recommendations, and granted such share options pursuant to the Company's share option scheme.

POST BALANCE SHEET EVENT

1. On 8 August 2007, Mascotte Group Limited (a wholly owned subsidiary of the Company) entered into the share disposal agreement with Kada International Investments Limited, as the share purchaser, which is an investment holding company wholly owned by Ms. Chan Oi Ling, Maria Olimpia, an executive director and the chairperson of the Company, pursuant to which Mascotte Group Limited agreed to dispose of, among other things, the entire issued share capital of Mascotte Investments Limited (a wholly owned subsidiary of the Company) with voting right to the share purchaser at a cash consideration of HK\$29,000,000 ("Share Disposal Agreement"). At the special general meeting held on 16 October 2007, the Share Disposal Agreement was duly passed by the independent shareholders of the Company by way of poll.
2. On 8 August 2007, Mascotte Hui Zhou Limited (a wholly owned subsidiary of the Company) entered into the property disposal agreement with Ms. Chan Oi Ling, Maria Olimpia, an executive director and the chairperson of the Company ("Property Purchaser"), pursuant to which Mascotte Hui Zhou Limited agreed to dispose of a PRC property to the Property Purchaser at a cash consideration of HK\$30,000,000. ("Property Disposal Agreement"). At the special general meeting held on 16 October 2007, the Property Disposal Agreement was duly passed by the independent shareholders of the Company by way of poll.
3. On 2 November 2007, the Company announced that the placing of second tranche of the convertible notes of in aggregate principal amount of HK\$125,000,000 was completed and issued in October 2007. The Company had issued and allotted a total of 187,500,000 shares to 7 independent placees at the conversion price of HK\$0.40 per conversion share.
4. On 5 November 2007, the Company had issued and allotted a total of 125,000,000 shares to 5 independent placees at the conversion price of HK\$0.40 per conversion share.
5. On 7 November 2007, 26,400,000 shares options were granted to 6 qualified allottees (other than directors) under the share option scheme. The options were fully exercised on the same date and the Company received proceeds of HK\$17.2 million.
6. On 13 November 2007, the Company announced that the placing of third tranche of the convertible notes of in aggregate principal amount of HK\$250,000,000 was completed and issued on 13 November 2007. As a result, the Company had issued and allotted a total of 625,000,000 shares to 15 independent placees at the conversion price of HK\$0.40 per conversion share.

7. The Company entered into a facility letter on 19 November 2007 and a supplemental facility letter on 20 November 2007 to advance a loan in the principal amount of HK\$200,000,000 to an independent borrower. The borrower will use the loan to finance (i) the acquisition of the entire equity interests of a BVI company which currently holds 65% equity interests in a mining company in northwest PRC that holds 100% interest in a titanium ore in northwest PRC and (ii) acquisition and increase in the capital in the mining company in northwest PRC so that it will become a 95% subsidiary of the BVI company, and after the increase in capital, the mining company intends to acquire certain interests in 3 coal mines in northwest PRC.

BOARD OF DIRECTORS

As the date of this report, the executive directors of the Company are Ms. Chan Oi Ling, Maria Olimpia, Mr. Lam Yu Ho, Daniel, Mr. Au Yeung Kai Chor, Ms. Wong, Dickie and Mr. Peter Temple Whitelam and the independent non-executive directors of the Company are Mr. Lui Wai Shan, Wilson, Mr. Cheung Ngai Lam, Mr. Chan Sze Hung and Ms. Kristi L Swartz.

By Order of the Board
Chan Oi Ling, Maria Olimpia
Chairperson

Hong Kong, 28 December 2007