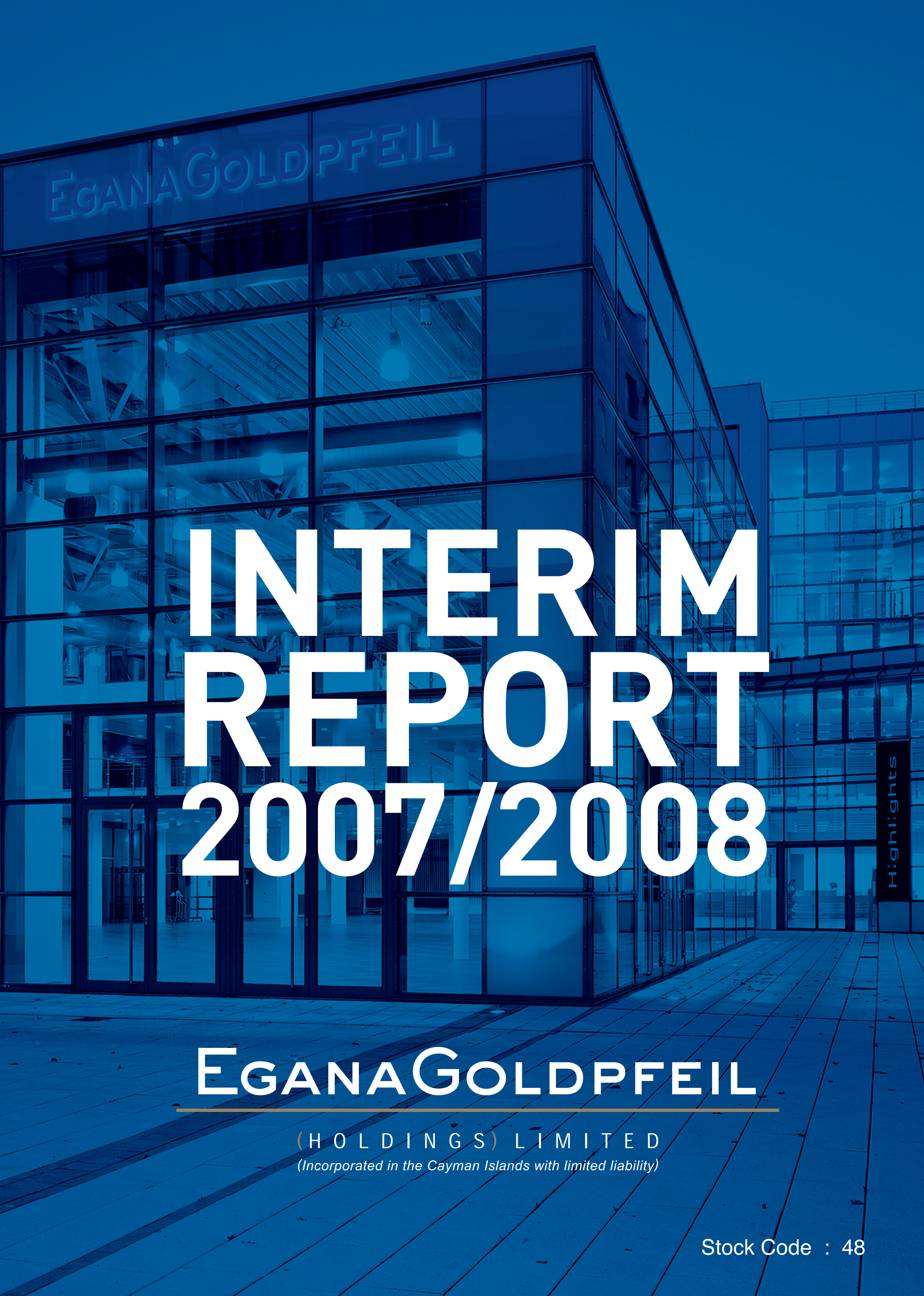

INTERIM REPORT 2007/2008

EganaGoldpfeil

(HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 48

CONTENTS

MESSAGE FROM THE BOARD

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I present to you the unaudited interim report of EganaGoldpfeil (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") for the six months ended 30th November, 2007.

In the annual report of the Company for the year ended 31st May, 2007, the auditors stated that they were unable to form an opinion as to whether the accounts of the Group gave a true and fair view of the state of affairs of the Company and of the Group as at 31st May, 2007 and of the Group's loss and cash flows for the year then ended because of the scope limitation on material sales transactions and receivable provision, and the fundamental uncertainty relating to the Company's and the Group's ability to continue as a going concern. The Group incurred an unaudited consolidated net loss attributable to the equity holders of the Company of approximately HK$1.3 billion for the six months ended 30th November, 2007 and had consolidated net current liabilities of approximately HK$2.2 billion as at 30th November, 2007. As explained in Note 1 to the accounts, the accounts for the six months ended 30th November, 2007 have been prepared on a going concern basis, the validity of which is dependent on the successful implementation of the financial restructuring proposal (the "Lifestyle Proposal") made by Lifestyle International Holdings Limited ("Lifestyle") as detailed in the announcement of the Company dated 29th January, 2008. The interim accounts do not include any adjustments that would result from a failure to implement the Lifestyle Proposal, however the fundamental uncertainty over the Group's ability to continue as a going concern (unless, among other things, an agreement is reached with creditors) still applies. The interim accounts are not audited nor have the auditors conducted any review of them.

Results for the period

(a) Turnover

The Group's turnover decreased from approximately HK$3.3 billion for the six months ended 30th November, 2006 to approximately HK$2.9 billion for the six months ended 30th November, 2007. As set out in the paragraph headed "Financial review" below, the discontinued trading operations accounted for approximately HK$683.1 million and HK$41.7 million of turnover for the six months ended 30th November, 2006 and 2007 respectively, so on a like-to-like basis, turnover for the current period increased by approximately HK$215.7 million.

Results for the period *(continued)*

(b) Losses for the period

Due to mainly (1) the additional impairment losses on doubtful receivables in the amount of approximately HK$1.0 billion made for the period; (2) the net loss on disposal of non-core available-for-sale securities and investments of approximately HK$82.9 million; (3) the legal and professional fees and other expenses in the amount of approximately HK$71.4 million mainly incurred in relation to the financial restructuring of the Group; and (4) the relocation expenses and associated restructuring costs for (a) the closure and relocation of the separate German office of one of the Group's brands; (b) the closure of certain business units of jewellery and leather divisions; and (c) the closing of a consumer electronics sales company and the mass market business in timepiece in an aggregate amount of approximately HK$66.4 million as detailed in the paragraph headed "Financial review" below, the Group recorded losses attributable to the equity holders of the Company of approximately HK$1.3 billion during the period.

(c) Equity attributable to equity holders of the Company

The losses incurred during the six months ended 30th November, 2007 resulted in reduction of equity attributable to equity holders of the Company from an amount of approximately HK$321.3 million as at 31st May, 2007 to deficit of approximately HK$1.0 billion as at 30th November, 2007. The Directors consider that the deficit position can be substantially improved following completion of the Lifestyle Proposal.

Financial review

(a) Turnover and revenue income

As stated in the last annual report, the financial problems which had arisen were principally attributable to a largely self-contained area of the Group's trading operations. KPMG completed its review and expressed reservations on the recoverability of certain receivables and promissory notes. These trading operations generated turnover of approximately HK$683.1 million for the six months ended 30th November, 2006, but only approximately HK$41.7 million for the six months ended 30th November, 2007. We ceased these trading operations during the six months ended 30th November, 2007. This resulted in a significant drop in turnover from trading operations. Excluding these trading operations, the Group's turnover for the six months ended 30th November, 2006 and 2007 would have been approximately HK$2.6 billion and HK$2.8 billion respectively, and on this basis, there was an increase of the Group's turnover (excluding the trading operations) for the six months ended 30th November, 2007 of approximately 8.2% as compared to that corresponding period in 2006. Due to favourable consumer sentiment in Eastern Europe stimulating market demand for our products, the Group increased its sales in Eastern Europe markets, accounting for most of the growth in business (excluding the trading operations).

As a result of the appreciation of the Euro, exchange gains of approximately HK$68.1 million were recognised for the six months ended 30th November, 2007 and were included in other revenue totalling approximately HK$93.9 million. The Group's share of profit of associated companies was approximately HK$9.1 million for the six months ended 30th November, 2007.

(b) Losses for the period

The Board considered it prudent to make full impairment provisions for the doubtful receivables identified by KPMG with approximately HK$1.0 billion provision being made to the unaudited consolidated profit and loss account for the six months ended 30th November, 2007. These provisions were above and beyond the provisions made in the audited accounts of the Group for the year ended 31st May, 2007 and previously disclosed to you because they related principally to transactions carried out after 31st May, 2007. As stated above, the trading operations which gave rise to these provisions had all substantially ceased by 30th November, 2007 and no further material provisions in this respect are expected by the Board.

Financial review *(continued)*

(b) Losses for the period *(continued)*

The Board has also resolved to implement cost control measures whenever possible. The Group began steps to close the separate German office of one of its brands, Salamander, and relocate it to the Group's European headquarters. It is currently expected that the relocation will be completed by 30th June, 2008. The Group will also close certain business units of its jewellery and leather divisions, consumer electronics sales company and the mass market business in timepiece. Relocation expenses and associated restructuring costs in an aggregate amount of approximately HK$66.4 million were accrued during the six months ended 30th November, 2007, comprising cost of sales, distribution costs and administrative expenses of approximately HK$9.1 million, HK$8.8 million and HK$48.5 million respectively.

Distribution costs of approximately HK$855.2 million were recorded during the six months ended 30th November, 2007, representing an increase of approximately 19.3% (approximately HK$716.7 million for the six months ended 30th November, 2006). The increase was mainly as a result of the growth of business in Eastern European markets and appreciation of the Euro during the current period. The Group recorded finance costs, including interest fully accrued for the indebtedness owed to financial creditors, of approximately HK$131.2 million for the six months ended 30th November, 2007 (approximately HK$89.8 million for the six months ended 30th November, 2006). The increase of finance costs was principally due to the increase of the Group's bank borrowings.

Administrative expenses of approximately HK$567.0 million were recognised during the period and included, among other things, losses on disposal of non-core available-for-sale securities and investments, relocation expenses and associated restructuring costs and legal and professional fees as detailed below.

The gross proceeds from the disposal of the Group's non-core available-for-sale securities and investments during the six months ended 30th November, 2007 amounted to approximately HK$82.8 million and a net loss on disposal of approximately HK$82.9 million was charged to the unaudited consolidated profit and loss account during the same period. The Board will continue to dispose of the remaining non-core available-for-sale securities and investments which amounted to approximately HK$47.6 million as at 30th November, 2007.

Financial review *(continued)*

(b) Losses for the period *(continued)*

As discussed above, expenses in the amount of approximately HK$48.5 million were recorded in connection with closure and relocation of a German office and restructuring costs for closure of certain business units of jewellery and leather divisions, a consumer electronics sales company and the mass market business in timepiece.

Administrative expenses also included legal and professional fees in the amount of approximately HK$71.4 million for the six months ended 30th November, 2007 mainly incurred in relation to the financial restructuring of the Group.

As a result of various factors discussed above, the Group recorded an overall loss attributable to equity holders of the Company of approximately HK$1.3 billion for the six months ended 30th November, 2007. Without the non-recurring expenses as set out in the sub-paragraph headed "Losses for the period" under the paragraph headed "Results for the period", the overall loss attributable to equity holders of the Company would have been substantially reduced.

Prospects

The Board is committed to do their utmost to remedy the Group's difficulties, is using its best endeavours to facilitate the implementation of the Lifestyle Proposal, and is working with Lifestyle and the financial creditors of the Group to achieve this. After extensive negotiations with Lifestyle and the financial creditors of the Group, a majority of the financial creditors in number and debt amount indicated their acceptance (subject to legally binding documentation) of the principal terms of the Lifestyle Proposal which involved, among other things, injection by Lifestyle of new funds into the Company in the amount of approximately HK$1.2 billion and reduction of the level of the Group's indebtedness owed to financial creditors. The Lifestyle Proposal is likely to result in substantial dilution of the interests of shareholders in the Company. Details of the Lifestyle Proposal as presently envisaged are set out in the announcement of the Company dated 29th January, 2008. Agreement between the parties to the principal terms of the Lifestyle Proposal represents an important milestone in effecting a restructuring which will stabilise the financial situation of the Group. The Directors are encouraged by the progress made but no binding agreement has been reached and there can be no assurance that an agreement will ultimately be reached. In the meantime, the Company is dependent for financial support on (and is in the course of negotiating) the renewal of the HK$300 million bridging loan provided by Lifestyle, which currently expires on 22nd February, 2008, and the continuing forbearance of financial creditors pending the implementation of the Lifestyle Proposal. The Company continues to discuss the terms of the Lifestyle Proposal with parties concerned and further announcements will be issued as appropriate. Shareholders will have an opportunity in due course to vote on the final terms of the Lifestyle Proposal.

The trading operations (as indentified by KPMG's review) have now ceased. Full provisions have now been made in respect of all the receivables and promissory notes on which KPMG has expressed reservations in their review. Following cessation of the trading operations, the Board believes that the Group has succeeded in retaining the loyalty of the Group's main suppliers and customers. This is supported by the growth in the Group's like-to-like turnover (excluding the trading operations) for the six months ended 30th November, 2007. In the current six months ending 31st May, 2008, sales over the holiday period and in January 2008 have been somewhat weaker than for the corresponding period in the previous financial year. This is in line with general economic conditions.

Prospects *(continued)*

In order to further improve the gross profit margin of the Group, the Board has resolved to scale down thin margin businesses which include the consumer electronic business, the mass market business in timepiece as well as the American jewellery business. The Board will continue to further review the business operation of the Group so as to improve the operating efficiency.

As well as maintaining its market share in Western Europe, the Board intends to devote more resources in the future to Eastern Europe, Middle East and Asia and, in particular, the mainland China market following completion of the Lifestyle Proposal. The Board considers that the Group can benefit from Lifestyle's experience and business network in mainland China to participate in the expected strong growth of domestic consumption. The Board also believes that the Lifestyle Proposal, if completed, will lay a solid financial foundation for the current business and future development of the Group.

Lastly, on behalf of the Board, I would like to thank our shareholders, customers, suppliers and business associates for their support over the years and especially through the last few difficult months. I would like also to express my sincere appreciation to our management and staff for their devoted efforts and hard work to maintain the business.

For and on behalf of the Board
Peter Ka Yu LEE
Deputy Chairman

Hong Kong, 21st February, 2008

CORPORATE INFORMATION

PRINCIPAL ACTIVITY

Design, assembly, manufacturing and distribution of timepieces, jewellery and leather & lifestyle products; licensing or assignment of brand names or trademarks to third parties; trading of timepiece components, jewellery and consumer electronic products and distribution of branded timepieces, jewellery, leather & lifestyle products through franchisees under the franchising arrangement and holding of investments.

DIRECTORS

Executive Directors

Peter Ka Yue LEE *(Deputy Chairman)*
Michael Richard POIX *(Chief Executive Officer)*
Wolfgang Heinz PFEIFER
Juergen Ludwig HOLZSCHUH

Independent Non-Executive Directors

Professor Udo GLITTENBERG
Dr. Goetz Reiner WESTERMEYER

AUDITORS

Baker Tilly Hong Kong Limited

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Cayman Islands,
British West Indies

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26/F., Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong

LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 48

WEBSITE

http://www.egana.com

The board of directors (the "Board" or the "Directors") of EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil" or the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th November, 2007 together with the comparative figures for the six months ended 30th November, 2006 which are summarised as under. These results have been reviewed by the Audit Committee of the Company but not by the auditors.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended	
		30th November, 2007 (Unaudited)	**30th November, 2006 (Unaudited)**
	Notes	*HK$'000*	*HK$'000*
Turnover	*2*	**2,884,348**	3,309,970
Cost of sales		**(1,666,169)**	(1,990,605)
Gross profit		**1,218,179**	1,319,365
Other revenues		**93,875**	64,582
Distribution costs		**(855,238)**	(716,706)
Administrative expenses		**(566,957)**	(356,104)
Impairment losses on assets	*3*	**(1,011,067)**	(3,137)
Operating (loss)/profit		**(1,121,208)**	308,000
Finance costs		**(131,207)**	(89,786)
(Loss)/profit before share of profit of associated companies		**(1,252,415)**	218,214
Share of profit of associated companies		**9,112**	13,275
(Loss)/profit before taxation	*2, 5*	**(1,243,303)**	231,489
Taxation	*6*	**(21,893)**	(25,594)
(Loss)/profit for the period		**(1,265,196)**	205,895
Attributable to:			
Equity holders of the Company		**(1,263,503)**	186,023
Minority interests		**(1,693)**	19,872
		(1,265,196)	205,895
Dividends	*7*	**–**	43,792
(Loss)/earnings per share	*8*		
Basic		**(86.30) cents**	14.20 cents
Diluted		**N/A**	14.04 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30th November, 2007 (Unaudited) HK$'000	Six months ended 30th November, 2006 (Unaudited) HK$'000
Opening balance – Total equity	**326,959**	2,210,574
(Deficit)/surplus on revaluation of available-for-sale financial assets	**(80,274)**	54,311
Exchange differences arising from translation of the financial statements of foreign subsidiaries and associated companies	**(13,970)**	7,937
Share of exchange translation reserve of an associated company	**151**	37
Net (loss)/gain recognised directly in equity	**(94,093)**	62,285
(Loss)/profit for the period	**(1,265,196)**	205,895
Total recognised (loss)/gain for the period*	**(1,359,289)**	268,180
Realisation of reserves upon disposal of available-for-sale financial assets	**(2,141)**	–
Deemed acquisition of additional interests in a subsidiary	**–**	(521,958)
Shares issued upon exercise of share options	**–**	17,450
Shares issued upon privatisation of a subsidiary	**–**	136,066
Premium arising from issue of shares in relation to exercise of share options and privatisation of a subsidiary	**–**	396,272
Final dividends	**–**	(71,524)
Dividends paid to minority interests	**(2)**	(332)
Closing balance – Total equity	**(1,034,473)**	2,434,728
* Attributable to equity holders of the Company	**(1,357,740)**	227,276
Attributable to minority interests	**(1,549)**	40,904
	(1,359,289)	268,180

CONSOLIDATED BALANCE SHEET

	Notes	As at 30th November, 2007 (Unaudited) HK$'000	As at 31st May, 2007 (Audited) HK$'000
Non-current assets			
Fixed assets	9	**527,255**	467,305
Leasehold land	10	**18,728**	20,214
Intangible assets	11	**683,524**	651,526
Deferred tax assets		**54,947**	54,467
Interests in associated companies		**123,992**	200,131
Available-for-sale financial assets	12	**47,559**	186,684
Derivative financial instruments	13	**–**	3,980
		1,456,005	1,584,307
Current assets			
Inventories		**1,502,763**	1,418,799
Accounts receivable, net	14	**413,563**	709,546
Deposits, prepayments and other receivables		**387,360**	332,440
Due from associated companies		**26,439**	34,431
Investments held for trading		**135**	123
Derivative financial instruments	13	**–**	3,284
Cash and cash equivalents		**557,625**	706,785
		2,887,885	3,205,408
Current liabilities			
Accounts payable	15	**(238,213)**	(658,016)
Accruals and other payables		**(548,547)**	(454,998)
Bills payable		**–**	(168,146)
Provisions		**(104,501)**	(55,103)
Derivative financial instruments	13	**(86,294)**	(81,948)
Short-term bank borrowings	16	**(1,675,210)**	(1,291,934)
Short-term other loans		**(379,407)**	–
Current portion of long-term bank borrowings	16	**(1,980,603)**	(383,412)
Current portion of other long-term liabilities		**(3,290)**	(77,730)
Current portion of obligations under finance leases		**(17,263)**	(13,208)
Current portion of pensions and other post retirement obligations		**(11,324)**	(16,938)
Due to associated companies		**(103)**	(2,475)
Due to a Director		**–**	(42)
Loan from a minority shareholder		**(1,584)**	(1,442)
Taxation payable		**(34,419)**	(17,719)
		(5,080,758)	(3,223,111)

CONSOLIDATED BALANCE SHEET *(continued)*

	Notes	As at 30th November, 2007 (Unaudited) HK$'000	As at 31st May, 2007 (Audited) HK$'000
Net current liabilities		**(2,192,873)**	(17,703)
Total assets less current liabilities		**(736,868)**	1,566,604
Non-current liabilities			
Long-term bank borrowings	16	–	(838,234)
Other long-term liabilities		**(34,184)**	(38,899)
Pensions and other post retirement obligations		**(254,693)**	(224,701)
Derivative financial instruments	13	–	(129,398)
Deferred tax liabilities		**(8,728)**	(8,413)
		(297,605)	(1,239,645)
Net (liabilities)/assets		**(1,034,473)**	326,959
Capital and reserves			
Share capital	17	**1,464,001**	1,464,001
Reserves	18	**(2,502,622)**	(1,142,741)
Equity attributable to equity holders of the Company		**(1,038,621)**	321,260
Minority interests	18	**4,148**	5,699
Total Equity		**(1,034,473)**	326,959

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th November, 2007 (Unaudited) *HK$'000*	Six months ended 30th November, 2006 (Unaudited) *HK$'000*
Cash (used in)/generated by operations	**(311,239)**	202,690
Interest paid	**(72,530)**	(80,155)
Tax paid	**(13,704)**	(30,732)
Tax refund	**10,026**	5,735
Net cash (used in)/from operating activities	**(387,447)**	97,538
Net cash used in investing activities	**(881,774)**	(45,008)
Net cash from/(used in) financing activities	**1,107,576**	(192,266)
Net decrease in cash and cash equivalents	**(161,645)**	(139,736)
Cash and cash equivalents at 1st June, 2007/1st June, 2006	**706,785**	1,385,251
Effect of foreign exchange rate changes	**12,485**	3,198
Cash and cash equivalents at 30th November, 2007/30th November, 2006	**557,625**	1,248,713
Analysis of cash and cash equivalents:		
Cash and bank balances	**557,625**	427,795
Promissory notes	**–**	820,918
	557,625	1,248,713

NOTES TO THE ACCOUNTS

1. Basis of preparation and principal accounting policies

In the annual report of the Company for the year ended 31st May, 2007, the auditors stated that they were unable to form an opinion as to whether the accounts of the Group gave a true and fair view of the state of affairs of the Company and of the Group as at 31st May, 2007 and of the Group's loss and cash flows for the year then ended because of the scope limitation on material sales transactions and receivable provision, and the fundamental uncertainty relating to the Company's and the Group's ability to continue as a going concern.

In preparing the accounts for the six months ended 30th November, 2007, the Directors have given careful consideration to the future liquidity of the Group in light of the Group incurring a consolidated net loss attributable to the equity holders of the Company of approximately HK$1.3 billion for the six months ended 30th November, 2007 and consolidated net current liabilities of approximately HK$2.2 billion as at 30th November, 2007. Subsequent to 31st May, 2007, most of the Group's bankers suspended their credit facilities to the Group. As at the date of approval of interim results for the six months ended 30th November, 2007, the Group is unable to meet all of its obligations to financial creditors when due. Accordingly, the Group has fundamental uncertainty to continue as a going concern. The Group's liquidity and its ability to meet its operating costs are dependent on the outcome of the financial restructuring proposal (the "Lifestyle Proposal") made by Lifestyle International Holdings Limited ("Lifestyle") as detailed in the announcement of the Company dated 29th January, 2008 (the "Announcement").

As set out in the Announcement, after extensive negotiations with Lifestyle and financial creditors of the Group, a majority of the financial creditors in number and debt amount indicated their acceptance (subject to legally binding documentation) of the principal terms of the Lifestyle Proposal which involved, among other things, injection by Lifestyle of new funds into the Company in the amount of approximately HK$1.2 billion and reduction of the level of the Group's indebtedness owed to financial creditors. In addition, a bridging loan of HK$300 million provided by Lifestyle had been extended to 22nd February, 2008 and subject to certain conditions, Lifestyle is prepared to further extend the maturity date of the bridging loan. Provided the Lifestyle Proposal can be completed with injection of new funds into the Company and the reduction of the Group's indebtedness owed to financial creditors, the Directors consider that the Group will be able to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. On this basis, the Directors consider that it is reasonable that the accounts for the six months ended 30th November, 2007 are prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Lifestyle Proposal. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities. The effect of these adjustments has not been reflected in the accounts.

NOTES TO THE ACCOUNTS *(continued)*

1. Basis of preparation and principal accounting policies *(continued)*

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

The condensed consolidated accounts have been prepared on the historical cost basis except for the revaluation of available-for-sale financial assets, investments held for trading and certain financial instruments, which are carried at fair values.

The accounting policies used in the condensed consolidated accounts are consistent with those followed in the preparation of the Group's annual accounts for the year ended 31st May, 2007.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st June, 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

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 1st January, 2009.*
2 *Effective for annual periods beginning on or after 1st January, 2008.*
3 *Effective for annual periods beginning on or after 1st July, 2008.*

2. Segmental information

(a) Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit, which is subject to risks and returns that are different from those of other business segments.

The Group is organised on a worldwide basis into four main business segments:

- Timepieces – design, assembly, manufacturing, distribution and trading of timepieces and timepiece components.

- Jewellery – design, assembly, manufacturing, distribution and trading of jewellery products.

- Leather & lifestyle – design, assembly, manufacturing, distribution and trading of leather & lifestyle products.

- Investments – investments in available-for-sale financial assets and investments held for trading. Available-for-sale financial assets include investments in listed/ unlisted securities.

NOTES TO THE ACCOUNTS *(continued)*

2. Segmental information *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Six months ended 30th November, 2007					
	Timepieces *HK$'000*	**Jewellery** *HK$'000*	**Leather & lifestyle products** *HK$'000*	**Investments** *HK$'000*	**Eliminations** *HK$'000*	**Group** *HK$'000*
Turnover	911,122	427,567	1,545,659	–	–	2,884,348
Inter-segment revenue	16,755	129,977	3,818	–	(150,550)	–
Dividend income	–	–	–	2,070	–	2,070
Segment results	(310,325)	(218,791)	(585,505)	(6,587)	–	(1,121,208)
Finance costs						(131,207)
Loss before share of profit of associated companies						(1,252,415)
Share of profit of associated companies						9,112
Loss before taxation						(1,243,303)
Taxation						(21,893)
Loss for the period						(1,265,196)
Attributable to:						
Equity holders of the Company						(1,263,503)
Minority interests						(1,693)
						(1,265,196)

NOTES TO THE ACCOUNTS *(continued)*

2. Segmental information *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Six months ended 30th November, 2007					
	Timepieces	Jewellery	Leather & lifestyle products	Investments	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	11,349	8,059	61,321	–	–	80,729
Depreciation	12,651	7,886	31,811	–	–	52,348
Amortisation	5,060	954	8,168	–	–	14,182
Impairment losses on accounts and other receivables	326,983	112,293	571,791	–	–	1,011,067
Write-back of allowance for inventory	15,810	–	–	–	–	15,810
Allowance for inventory	21,116	514	19,721	–	–	41,351
	As at 30th November, 2007					
Segment assets	1,641,570	672,658	1,857,976	47,694	–	4,219,898
Interests in associated companies	123,961	31	–	–	–	123,992
Total assets						4,343,890
Segment liabilities	(3,961,262)	(521,012)	(896,089)	–	–	(5,378,363)
Total liabilities						(5,378,363)

2. Segmental information *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Six months ended 30th November, 2006					
	Timepieces	Jewellery	Leather & lifestyle products	Investments	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,084,253	600,587	1,625,130	–	–	3,309,970
Inter-segment revenue	16,512	4,473	7,254	–	(28,239)	–
Dividend income	–	–	–	1,743	–	1,743
Segment results	117,989	62,014	126,253	1,744	–	308,000
Finance costs						(89,786)
Profit before share of profit of associated companies						218,214
Share of profit of associated companies						13,275
Profit before taxation						231,489
Taxation						(25,594)
Profit for the period						205,895
Attributable to:						
Equity holders of the Company						186,023
Minority interests						19,872
						205,895

2. Segmental information *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Six months ended 30th November, 2006					
	Timepieces	Jewellery	Leather & lifestyle products	Investments	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	11,760	13,439	55,873	–	–	81,072
Depreciation	9,236	5,916	27,048	–	–	42,200
Amortisation	5,112	1,016	2,539	–	–	8,667
Impairment losses on accounts and other receivables	1,644	1,290	203	–	–	3,137
Write-back of allowance for inventory	2,128	–	3,479	–	–	5,607
Allowance for inventory	837	1,833	6,627	–	–	9,297
	As at 31st May, 2007					
Segment assets	1,722,136	913,239	1,767,402	186,807	–	4,589,584
Interests in associated companies	199,920	31	180	–	–	200,131
Total assets						4,789,715
Segment liabilities	(2,870,819)	(875,988)	(715,949)	–	–	(4,462,756)
Total liabilities						(4,462,756)

2. Segmental information *(continued)*

(b) Secondary reporting format – geographical segments

The Group's operations are mainly located in Europe, Asia Pacific and America. In determing the Group's geographical segments, turnover and results attributed to the segments are based on the destination of merchandise. Segment assets and capital expenditure are based on the geographical locations of the assets.

	Six months ended 30th November, 2007			As at 30th November, 2007
	Turnover	Segment results	Capital expenditure	Total assets
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	2,470,044	25,974	66,382	2,857,892
America	122,380	(67,632)	–	50,537
Asia Pacific	291,924	(1,079,550)	14,347	1,311,469
	2,884,348	(1,121,208)	80,729	4,219,898
Interests in associated companies				123,992
Total assets				4,343,890

	Six months ended 30th November, 2006			As at 31st May, 2007
	Turnover	Segment results	Capital expenditure	Total assets
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	2,341,249	200,255	64,619	2,631,045
America	139,944	(8,931)	713	55,701
Asia Pacific	828,777	116,676	15,740	1,902,838
	3,309,970	308,000	81,072	4,589,584
Interests in associated companies				200,131
Total assets				4,789,715

NOTES TO THE ACCOUNTS *(continued)*

3. Impairment losses on assets

	Six months ended 30th November, 2007 HK$'000	Six months ended 30th November, 2006 HK$'000
Impairment losses on accounts receivable	**44,320**	3,137
Impairment losses on other receivables	**966,747**	–
	1,011,067	3,137

In light of the findings by KPMG, the Directors decided to make full allowance for certain accounts and other receivables totalling approximately HK$1,001,556,000. The remaining amount of approximately HK$9,511,000 related to allowances made for receivables arising from other transactions during the period.

4. The Company's accumulated losses as at 30th November, 2007 and the loss for the period then ended amounted to approximately HK$2,726,134,000 and HK$709,998,000 respectively.

5. (Loss)/profit before taxation

The Group's (loss)/profit before taxation is arrived at after crediting and charging the following:

	Six months ended 30th November, 2007 HK$'000	Six months ended 30th November, 2006 HK$'000
Crediting:		
Interest income	**7,606**	35,300
Net exchange gain	**68,105**	10,901
Net fair value gain on financial instruments		
– interest rate swaps	**13,079**	–
Net gain on derivative financial instruments		
– forward foreign exchange contracts	**–**	2,289
– forward gold/silver contracts	**–**	2,093
– gold/silver options	**–**	2,372
Gain on disposal of fixed assets	**2,108**	53
Gain on disposal of leasehold land	**1,219**	–
Gain on disposal of available-for-sale financial assets – unlisted securities	**1,285**	–
Charging:		
Depreciation of fixed assets	**52,348**	42,200
Amortisation of intangible assets	**13,837**	8,324
Amortisation of leasehold land	**345**	343
Net fair value loss on financial instruments		
– interest rate swaps	**–**	1,602
Net loss on derivative financial instruments		
– forward foreign exchange contracts	**2,169**	–
– forward gold/silver contracts	**4,054**	–
– silver options	**75**	–
– currency options	**1,170**	25,091
Loss on disposal of interests in associated companies	**74,255**	–
Loss on disposal of available-for-sale financial assets – listed securities	**9,942**	–
Interest expenses	**123,077**	75,388
Share of taxation of associated companies (Included in share of profit/(loss) of associated companies)	**4,363**	1,148

6. Taxation

Taxation comprised:

	Six months ended 30th November, 2007 HK$'000	Six months ended 30th November, 2006 HK$'000
The Company and its subsidiaries		
Current taxation:		
Hong Kong profits tax		
– Provision for current period	**8,576**	5,735
Overseas taxation		
– Provision for current period	**10,282**	10,754
– Under-provision in prior periods	**20**	20,987
Deferred taxation		
– Recognised during the period	**3,015**	(11,882)
	21,893	25,594

Hong Kong profits tax was provided at the rate of 16.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits was calculated on the estimated assessable profits for the period provided by subsidiaries with overseas operations at the tax rates applicable in the countries in which the subsidiaries operated.

7. Interim dividend

The Board does not recommend the payment of an interim dividend for the period ended 30th November, 2007 (2006: HK3 cents per share).

8. (Loss)/earnings per share

(a) *Basic (loss)/earnings per share*

Basic (loss)/earnings per share was calculated based on the consolidated loss attributable to equity holders of the Company for the period of approximately HK$1,263,503,000 (2006: profit of HK$186,023,000) and the weighted average number of ordinary shares of approximately 1,464,001,000 (2006: 1,310,387,000) in issue during the period.

(b) *Diluted (loss)/earnings per share*

No diluted loss per share is presented for the six months ended 30th November, 2007 as the exercise of the Company's outstanding share options for the period would result in a decrease in loss per share.

(c) *Reconciliation*

A reconciliation of (loss)/profit attributable to equity holders of the Company used in calculating the basic and diluted (loss)/earnings per share was as follows:

	Six months ended 30th November, 2007 *HK$'000*	**Six months ended 30th November, 2006** *HK$'000*
(Loss)/profit attributable to equity holders of the Company used in calculating basic and diluted (loss)/earnings per share	**(1,263,503)**	186,023

A reconciliation of the number of ordinary shares for calculation of basic and diluted (loss)/earnings per share was as follows:

	Six months ended 30th November, 2007	**Six months ended 30th November, 2006**
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share	**1,464,001,000**	1,310,387,000
Dilutive potential effect in respect of		
– Share options of the Company	**N/A**	14,097,000
Weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share	**N/A**	1,324,484,000

NOTES TO THE ACCOUNTS *(continued)*

9. Fixed assets

	Property, plant and equipment *HK$'000*
Carrying value as at 1st June, 2007	467,305
Additions	78,703
Exchange adjustments and disposals	33,595
Charge for the period	(52,348)
Carrying value as at 30th November, 2007	527,255

10. Leasehold land

	HK$'000
Carrying value as at 1st June, 2007	20,214
Disposals	(1,141)
Charge for the period	(345)
Carrying value as at 30th November, 2007	18,728

11. Intangible assets

	HK$'000
Carrying value as at 1st June, 2007	651,526
Additions	2,026
Exchange adjustments and disposals	43,809
Charge for the period	(13,837)
Carrying value as at 30th November, 2007	683,524

12. Available-for-sale financial assets

As at 30th November, 2007, the available-for-sale financial assets were stated at fair values which were determined by the Directors or according to quoted market prices and the revaluation deficit of approximately HK$80,274,000 (2006: a surplus of HK$54,311,000) was recorded in the revaluation reserve. In the opinion of the Directors, there was no indication of impairment in the carrying values of the financial assets.

13. Derivative financial instruments

	As at 30th November, 2007		As at 31st May, 2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Forward foreign exchange contracts	**–**	**346**	1,760	2,925
Currency options	**–**	**1,747**	–	78,431
Forward gold and silver contracts	**–**	**–**	–	1,712
Silver options	**–**	**–**	75	–
Interest rate swaps	**–**	**84,201**	5,429	128,278
	–	**86,294**	7,264	211,346
Analysed as:				
Non-current	**–**	**–**	3,980	129,398
Current	**–**	**86,294**	3,284	81,948
	–	**86,294**	7,264	211,346

The derivative financial instruments are measured at fair values at each balance sheet date. Their fair values are based on estimated values provided by financial institutions for equivalent instruments at the balance sheet date.

14. Accounts receivable aging analysis

In general, the Group grants an average credit period of 30 to 120 days to its trade customers. Aging analysis of accounts receivable after impairment losses on accounts receivable was as follows:

	As at 30th November, 2007	As at 31st May, 2007
	HK$'000	*HK$'000*
Current and due within one month	**314,004**	546,495
Due between one to two months	**38,362**	89,158
Due between two to three months	**12,163**	17,828
Due between three to four months	**11,328**	14,983
Due over four months	**37,706**	41,082
	413,563	709,546

The Directors consider that the carrying amounts of accounts receivable approximate their fair value.

15. Accounts payable aging analysis

Aging analysis of accounts payable was as follows:

	As at 30th November, 2007	As at 31st May, 2007
	HK$'000	*HK$'000*
Current and due within one month	**182,577**	589,860
Due between one to two months	**36,423**	30,577
Due between two to three months	**2,779**	2,072
Due between three to four months	**1,056**	791
Due over four months	**15,378**	34,716
	238,213	658,016

The Directors consider that the carrying amounts of accounts payable approximate their fair value.

16. Bank borrowings

(a) Short-term bank borrowings comprised:

	As at 30th November, 2007 *HK$'000*	As at 31st May, 2007 *HK$'000*
Bank loans and overdrafts	**1,383,059**	944,287
Trust receipts and import loans	**292,151**	347,647
	1,675,210	1,291,934

The Directors consider that the carrying amount of short-term bank borrowings approximate their fair value.

(b) Long-term bank borrowings:

	As at 30th November, 2007 *HK$'000*	As at 31st May, 2007 *HK$'000*
Repayable		
– within one year		
Secured	**16,655**	7,798
Unsecured	**1,963,948**	375,614
– in the second year		
Secured	**–**	5,297
Unsecured	**–**	48,298
– in the third to fifth year		
Secured	**–**	6,114
Unsecured	**–**	778,525
– after the fifth year		
Secured	**–**	–
Unsecured	**–**	–
	1,980,603	1,221,646
Less: current portion included under current liabilities	**(1,980,603)**	(383,412)
	–	838,234

During the period, the Group breached certain of the terms of the syndicated loans, which are primarily related to the financial covenants of the Group. According to HKAS 1 "Presentation of Financial Statements", since the banks have not agreed to waive their rights to demand immediate repayment as at the balance sheet date, the non-current portion of the bank loans have been classified as current liabilities in the condensed consolidated balance sheet as at 30 November 2007.

16. Bank borrowings *(continued)*

(b) Long-term bank borrowings: *(continued)*

The fair value of the long-term bank borrowings, estimated by discounting their future cash flows at the prevailing market borrowing rates at the balance sheet date, approximates the corresponding carrying amount.

The carrying amount of the Group's total bank borrowings are denominated in the following currencies:

	As at 30th November, 2007	**As at 31st May, 2007**
	HK$'000	*HK$'000*
Hong Kong dollars	**1,333,653**	645,610
US dollars	**439,455**	416,862
Euro	**1,792,981**	1,373,150
Others	**89,724**	77,958
Total	**3,655,813**	2,513,580

17. Share capital

	Number of shares	**Nominal value of each share**	**Nominal value of shares**
		HK$	*HK$'000*
Balance as at 1st June, 2007	1,464,001,524	1.0	1,464,001
Balance as at 30th November, 2007	1,464,001,524	1.0	1,464,001

NOTES TO THE ACCOUNTS *(continued)*

18. Reserves and minority interests

	Attributable to equity holders of the Company										
	Share premium account HK$'000	Exchange translation reserve HK$'000	Accumulated losses HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Capital redemption reserve HK$'000	Goodwill HK$'000	Legal reserve HK$'000	Other reserves HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Balance as at 1st June, 2007	814,848	(213,487)	(1,386,646)	55,001	40,801	(454,108)	270	580	(1,142,741)	5,699	(1,137,042)
Share of exchange translation reserve of an associated company	-	151	-	-	-	-	-	-	151	-	151
Revaluation of listed available-for-sale financial assets	-	-	-	(80,274)	-	-	-	-	(80,274)	-	(80,274)
Disposal of listed available-for-sale financial assets	-	-	-	(2,141)	-	-	-	-	(2,141)	-	(2,141)
Loss for the period	-	-	(1,263,503)	-	-	-	-	-	(1,263,503)	(1,693)	(1,265,196)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(2)	(2)
Exchange differences arising from translation of overseas subsidiaries' and associated companies' financial statements	-	(14,114)	-	-	-	-	-	-	(14,114)	144	(13,970)
Balance as at 30th November, 2007	814,848	(227,450)	(2,650,149)	(27,414)	40,801	(454,108)	270	580	(2,502,622)	4,148	(2,498,474)

19. Related party transactions

(a) During the period, the Group entered into transactions with the following associated companies-Tonic Industries Holdings Limited ("Tonic"), Dominique Roger Diffusion S.A.R.L. ("Dominique"), Amaretta GmbH ("Amaretta") and JOOP! GmbH ("JOOP!") and a related company-Kuraray Co. Limited and its subsidiaries ("Kuraray group"). In the opinion of the Directors, the following transactions arose in the ordinary course of the Group's business:

	Six months ended	
	30th November, 2007	**30th November, 2006**
	HK$'000	*HK$'000*
Purchases from Amaretta	**–**	38
Purchases from Kuraray group	**8,476**	14,537
Sales to Dominique	**17,526**	9,212
Sales to Amaretta	**–**	8
Sales to Tonic	**–**	49
Sales to JOOP!	**1,895**	–
Management fee from Amaretta	**–**	861
Royalties to JOOP!	**8,679**	7,421
Interest expense to Amaretta	**–**	47
Advertising contribution to JOOP!	**2,456**	–
Advertising contribution to Dominique	**27**	74
Rental income from Amaretta	**–**	840

Notes:

i. Sales and purchases of goods were determined with reference to published prices and market conditions.

ii. Management fee and royalties were charged according to the terms of the relevant agreements.

iii. Trading transactions with Kuraray group also constituted connected transactions under the Listing Rules.

iv. Interest was charged at the commercial rate.

v. Advertising contribution and rental income were charged at a cost basis.

19. Related party transactions *(continued)*

(b) During the period, compensation to key management of the Group is analysed as below:

	Six months ended 30th November, 2007 HK$'000	Six months ended 30th November, 2006 HK$'000
Salaries and other short-term employee benefits	**14,866**	12,607
Termination benefits	**–**	1,620
Post-employment benefits	**4,487**	192
	19,353	14,419

20. Commitments

(a) Commitments under operating leases

The Group had future aggregated minimum lease payments under non-cancellable operating leases payable as follows:

	As at 30th November, 2007		As at 31st May, 2007	
	Leasehold land and buildings HK$'000	Furniture and equipment HK$'000	Leasehold land and buildings HK$'000	Furniture and equipment HK$'000
Payable:				
– Not later than one year	**323,026**	**17,892**	290,831	19,068
– Later than one year and not later than five years	**862,023**	**20,255**	745,236	19,348
– Later than five years	**579,594**	**1,268**	562,868	1,617
	1,764,643	**39,415**	1,598,935	40,033

20. Commitments *(continued)*

(b) Commitments under license agreements

The Group had future aggregated minimum royalty payments under license agreements payable as follows:

	As at 30th November, 2007 *HK$'000*	As at 31st May, 2007 *HK$'000*
Payable:		
– Not later than one year	**42,111**	51,319
– Later than one year and not later than five years	**86,030**	92,861
	128,141	144,180

(c) Purchase commitments

Certain subsidiaries of the Group entered into purchase agreements with third party companies and agreed to purchase leather products from these third party companies during the year up to 2008. As at 30th November, 2007, total outstanding commitment amounted to approximately HK$581,331,000 (As at 31st May, 2007: HK$515,878,000).

Save as disclosed above, neither the Group nor the Company had any significant commitments as at 30th November, 2007 and 31st May, 2007.

21. Contingent liabilities

As at 30th November, 2007, contingent liabilities not provided for by the Group were summarised below:

	As at 30th November, 2007 *HK$'000*	As at 31st May, 2007 *HK$'000*
Guarantee given to a financial institution in respect of facilities granted to an associated company	**–**	10,560
Guarantees given to landlords in respect of rental obligations of subsidiaries	**16,863**	15,325
Guarantees given to customs in respect of default in customs obligations of subsidiaries	**573**	618

In addition, the Company guaranteed the payments and performance by several subsidiaries under certain license agreements pursuant to which the subsidiaries were licensees.

22. Pledge of assets

Certain freehold land and buildings with an aggregate net book value of approximately HK$39,896,000 as at 30th November, 2007 (as at 31st May, 2007: approximately HK$37,439,000), certain leasehold rights with an aggregate net book value of approximately HK$19,813,000 as at 30th November, 2007 (as at 31st May, 2007: approximately HK$18,036,000) and inventories with approximate carrying amount of HK$64,638,000 as at 30th November, 2007 (as at 31st May, 2007: approximately HK$68,559,000) were pledged to secure for banking facilities granted to certain overseas subsidiaries of the Group.

Certain assets of the Group were pledged as security for a bridging loan provided by a wholly owned subsidiary of Lifestyle as part of the financial restructuring of the Group. As at 30th November, 2007, assets pledged include land and buildings and leasehold land with an aggregate net book value of approximately HK$25,486,000, trademarks with a net book value of approximately HK$78,107,000, cash and bank balances of approximately HK$249,125,000, all the Group's equity interests in P.C. International Marketing Limited ("PCIM"), a wholly owned subsidiary of the Group holding and operating the "Pierre Cardin" brand for timepiece and jewellery products and a debenture over the assets of PCIM.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30th November, 2007, the Group continued to focus on the design, assembly, manufacturing and distribution of luxury and fashion products which are broadly divided into three principal categories, namely, timepieces, jewellery, and leather and lifestyle products.

Turnover of the Group for the six months ended 30th November, 2007 was approximately HK$2,884.3 million, (as compared to approximately HK$3,310.0 million in the same period last year), of which approximately HK$911.1 million (2006: approximately HK$1,084.3 million) was attributable to timepieces, approximately HK$427.5 million (2006: approximately HK$600.6 million) was attributable to jewellery and approximately HK$1,545.7 million (2006: approximately HK$1,625.1 million) was attributable to leather and lifestyle products.

As stated in the Group's 2006/2007 annual report (the "Annual Report"), the Group's financial problems were principally attributable to a largely self-contained area of the Group's trading operations (as identified in the KPMG's review) which has been discontinued during the six months ended 30th November, 2007 (the "Trading Operations"). This resulted in a significant decrease of the Trading Operations turnover. The Trading Operations generated turnover of approximately HK$683.1 million for the six months ended 30th November, 2006, but only approximately HK$41.7 million for the six months ended 30th November, 2007 as activities were run down. After excluding the Trading Operations, the Group's turnover for the six months ended 30th November, 2007 was approximately HK$2,842.6 million, compared to approximately HK$2,626.9 million for the six months ended 30th November, 2006. The increase of approximately 8.2% of the Group's turnover (excluding Trading Operations) was mainly contributed by the sales growth in its Eastern Europe markets due to generally favourable consumer sentiment stimulating demand for the Group's products. The Group intends, whilst maintaining its market share in Western Europe, to devote more resources in the future to Eastern Europe, Middle East and Asia, especially the mainland China market following the completion of the financial restructuring of the Group.

FINANCIAL REVIEW

Turnover

Turnover totalling approximately HK$2,884.3 million was recorded for the six months ended 30th November, 2007, a decrease of approximately 12.9% compared to approximately HK$3,310.0 million recorded for the same period last year. The decrease was primarily due to the cessation of the Trading Operations during the six months ended 30th November, 2007 as described in the paragraph headed" Business review" above.

By business segment, turnover decreased by approximately 16.0% for timepiece products, approximately 28.8% for jewellery products and approximately 4.9% for leather and lifestyle products compared to the previous corresponding period.

Geographically, turnover from Europe, Asia Pacific and America represented approximately 85.6%, 10.1% and 4.3% of the Group's total turnover respectively for the six months ended 30th November, 2007 (as compared to approximately 70.7%, 25.0%, and 4.3% respectively for the six months ended 30th November, 2006). The Eastern Europe markets demonstrated a growth in turnover as explained in the paragraph headed" Business review" above. There was a significant drop in the sales in the Asia Pacific market for the six months ended 30th November, 2007 mainly due to the cessation of the Group's Trading Operations primarily related to the mainland China market.

Cost of Sales and Gross Profit

Cost of sales decreased by approximately 16.3% from approximately HK$1,990.6 million for the six months ended 30th November, 2006 to approximately HK$1,666.2 million for the six months ended 30th November, 2007 mainly as a result of cessation of the Trading Operations during the period.

FINANCIAL REVIEW *(continued)*

Cost of Sales and Gross Profit *(continued)*

The Group's gross profit decreased by approximately 7.7% from approximately HK$1,319.4 million for the six months ended 30th November, 2006 to approximately HK$1,218.2 million for the six months ended 30th November, 2007. Gross profit margin increased to approximately 42.2% for the six months ended 30th November, 2007 (as compared to approximately 39.9% for the six months ended 30th November, 2006), primarily due to cost control measures implemented by the Group, the cessation of the Group's Trading Operations (which had a relatively thin gross profit margin) and the general appreciation of the Euro for the six months ended 30th November, 2007. Gross profit of approximately HK$236.6 million and HK$1.3 million were derived from the Trading Operations for the six months ended 30th November, 2006 and 2007 respectively.

Other revenues of the Group increased by approximately 45.4% from approximately HK$64.6 million for the six months ended 30th November, 2006 to approximately HK$93.9 million for the six months ended 30th November, 2007. The increase was primarily attributable to the recognition of exchange gains of approximately HK$68.1 million as well as profit made on the disposal of available-for-sale securities of approximately HK$1.3 million.

Expenses

As disclosed in the Annual Report, the Board made full provision of approximately HK$1.6 billion for the doubtful accounts, other receivables and promissory notes for the financial year ended 31st May, 2007 following KPMG's review. For the six months ended 30th November, 2007, a further amount of approximately HK$1.0 billion had been recorded as an impairment loss with respect to additional doubtful accounts and other receivables relating to transactions carried out after 31st May, 2007.

Distribution costs increased by approximately 19.3% from approximately HK$716.7 million for the six months ended 30th November, 2006 to approximately HK$855.2 million for the six months ended 30th November, 2007. The increase was mainly attributable to the growth of business in the Group's Eastern Europe market and appreciation of the Euro during the current period.

FINANCIAL REVIEW *(continued)*

Expenses *(continued)*

Administrative expenses increased by approximately 59.2% from approximately HK$356.1 million for the six months ended 30th November, 2006 to approximately HK$567.0 million for the six months ended 30th November, 2007. The Group incurred a loss on the disposal of interests in associated companies and available-for-sale securities of approximately HK$84.2 million, and legal and professional fees of approximately HK$71.4 million mainly for the current financial restructuring of the Group.

During the six months ended 30th November, 2007, for cost reasons, the Group began steps to close the separate German office of one of its brands, Salamander, and relocate to the Group's headquarters in Europe. The Group will also close certain business units of its jewellery and leather divisions, consumer electronics sales company and the mass market business in timepieces. In this regard, the Group had accrued relocation expenses and associated restructuring costs in an aggregate amount of approximately HK$66.4 million during the six months ended 30th November, 2007, comprising cost of sales, distribution costs and administrative expenses of approximately HK$9.1 million, HK$8.8 million and HK$48.5 million respectively.

Overall, for the six months ended 30th November, 2007, the Group incurred an operating loss of approximately HK$1,121.2 million, compared to an operating profit of approximately HK$308.0 million for the six months ended 30th November, 2006.

Finance Costs

Finance costs, including interest accruals for all bank borrowings, increased by approximately 46.1% from approximately HK$89.8 million for the six months ended 30th November, 2006 to approximately HK$131.2 million for the six months ended 30th November, 2007 primarily due to an increase in the Group's bank borrowings.

FINANCIAL REVIEW *(continued)*

Turnover days

The inventory turnover on an annualised basis was approximately 160 days, as compared to approximately 112 days for the year ended 31st May, 2007. The inventory turnover, calculated on a basis by excluding the cost of sales in respect of the Trading Operations, was approximately 164 days on an annualised basis for the six months ended 30th November, 2007 as compared to approximately 162 days for the year ended 31st May, 2007. As at 30th November, 2007, inventories were in the approximate amount of HK$1,502.8 million (as at 31st May, 2007: approximately HK$1,418.8 million). The increase of inventory by approximately 5.9% was mainly as a result of a growth in the Eastern Europe markets and an appreciation of the Euro as at 30th November, 2007.

The average debtor turnover on an annualised basis had shortened to approximately 36 days, as compared to approximately 57 days for the year ended 31st May, 2007. The average debtor turnover, calculated on a basis by excluding the sales and trade debtors arising from the Trading Operations, was approximately 34 days (in line with the year ended 31st May, 2007). There was a decrease in net accounts receivable of approximately HK$296.0 million partly due to a provision made for doubtful debts of approximately HK$44.3 million in response to KPMG's findings and improvement in debtor turnover.

Assets

Total assets were approximately HK$4,343.9 million as at 30th November, 2007 compared to approximately HK$4,789.7 million as at 31st May, 2007. The decrease of approximately HK$445.8 million was mainly attributable to the decrease in net accounts receivable and continued disposal of interests in associated companies and available-for-sale securities as part of the Group's strategy to dispose assets which are non-core to its businesses.

FINANCIAL REVIEW *(continued)*

Assets *(continued)*

As at 30th November, 2007, certain assets of the Group were pledged as security for banking facilities granted to certain overseas subsidiaries of the Group. Assets pledged included freehold land and buildings with an aggregate net book value of approximately HK$39.9 million as at 30th November, 2007 (as at 31st May, 2007: approximately HK$37.4 million), certain leasehold rights with an aggregate net book value of approximately HK$19.8 million as at 30th November, 2007 (as at 31st May, 2007: approximately HK$18.0 million) and inventories with approximate carrying amount of HK$64.6 million as at 30th November, 2007 (as at 31st May, 2007: approximately HK$68.6 million). As stated in the Annual Report, certain assets of the Group were pledged as security for a bridging loan provided by a wholly owned subsidiary of Lifestyle International Holdings Limited ("Lifestyle") as part of the financial restructuring of the Group. Assets pledged included land and buildings and leasehold land with an aggregate net book value of approximately HK$25.5 million as at 30th November, 2007, trademarks with a net book value of approximately HK$78.1 million as at 30th November, 2007, cash and bank balances of approximately HK$249.1 million as at 30th November, 2007, all the Group's equity interests in P.C. International Marketing Limited ("PCIM"), a wholly owned subsidiary of the Group holding and operating the "Pierre Cardin" brand for timepiece and jewellery products and a debenture over the assets of PCIM, as well as a charge over 29.67% shares in the Company held by Joint Asset International Limited (an indirect wholly owned investment holding company of a discretionary trust whose prospective beneficiaries include the Group's former chairman and his family).

Apart from these, the Group had no other pledged assets as at 30th November, 2007.

The Group is not currently anticipating any material purchase of capital assets or material investments for the coming six months period ending 31st May, 2008.

FINANCIAL REVIEW *(continued)*

Liquidity, Financial Resources and Capital Structure

The net gearing ratio was approximately 0.93 times as at 30th November, 2007, calculated based on the sum of short-term bank borrowings (including other loans) and current portion of long-term bank borrowings and other liabilities divided by total assets. Total assets decreased by approximately HK$445.8 million due to the reasons as detailed in the paragraph headed "Assets" above. There was an increase of short-term bank borrowings and other short-term loans of approximately HK$762.7 million (approximately HK$2,054.6 million as at 30th November, 2007 compared to approximately HK$1,291.9 million as at 31st May, 2007), and current portion of long-term borrowings and other long-term liabilities of approximately HK$1,522.8 million (approximately HK$1,983.9 million as at 30th November, 2007 compared to approximately HK$461.1 million as at 31st May, 2007).

The Group had a net cash and cash equivalent position of approximately HK$557.6 million as at 30th November, 2007, a decrease of approximately HK$149.2 million from approximately HK$706.8 million as at 31st May, 2007. The decrease was attributable to net cash used in operating activities and deposits paid for potential investment of approximately HK$930.0 million, off-set by net cash generated from proceeds from new syndicated loan and the positive effect of foreign exchange rate changes during the current period.

The Group did not record any long-term bank borrowings as at 30th November, 2007 (as at 31st May, 2007: approximately HK$838.2 million). During the period, the Group breached certain of the terms of the syndicated loans, which are primarily related to the financial covenants of the Group. According to HKAS 1 "Presentation of Financial Statements", since the banks have not agreed to waive their rights to demand immediate repayment as at the balance sheet date, the non-current portion of the bank loans have been classified as current liabilities in the condensed consolidated balance sheet as at 30th November, 2007. As at 30th November, 2007, the Group had short-term bank borrowings of approximately HK$1,675.2 million, comprising short-term bank loans and overdrafts of approximately HK$1,383.1 million (as at 31st May, 2007: approximately HK$944.3 million) and trust receipts and import loans of approximately HK$292.1 million (as at 31st May, 2007: approximately HK$347.6 million).

For the six months ended 30th November, 2007, revenue and assets were denominated in Euro and Swiss Francs: 74.0%; US$: 13.9 %; HK$: 0.8% and others: 11.3%. Payments were in Euro and Swiss Francs: 57.6%; US$ and HK$: 28.7% and others: 13.7%.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Liquidity, Financial Resources and Capital Structure *(continued)*

As at 30th November, 2007, the Group had outstanding interest rates swaps for managing its exposure to interest rates risks and forward foreign exchange contracts for hedging against fluctuations in foreign exchange rates, as well as some currency options.

As at 30th November, 2007, the Group had commitments under operating leases totalling approximately HK$1,804.1 million (as at 31st May, 2007: approximately HK$1,639.0 million), of which approximately HK$340.9 million was due within one year (as at 31st May, 2007: approximately HK$309.9 million), approximately HK$882.3 million was due after one year and within five years (as at 31st May, 2007: approximately HK$764.6 million), and approximately HK$580.9 million was due after five years (as at 31st May, 2007: approximately HK$564.5 million). As at 30th November, 2007, the Group had commitments under license agreements of approximately HK$128.1 million, compared to approximately HK$144.2 million as at 31st May, 2007. Certain subsidiaries of the Group entered into purchase agreements with third party companies and agreed to purchase leather products from these third party companies during the year up to 2008. The total outstanding commitment amounted to approximately HK$581.3 million as at 30th November, 2007 (as at 31st May, 2007: approximately HK$515.9 million).

Save as disclosed above and in the notes to the interim accounts, the Group had no significant capital commitment, material contingent liabilities or off balance sheet obligations as at 30th November, 2007.

As set out in the Company's announcement of 2nd October, 2007, the Group had requested that all financial creditors exercise forbearance pending implementation of the financial restructuring of the Group. Up to the present time, the creditors are exercising such forbearance. It was further stated in the Company's announcement of 29th January, 2008 that, after extensive negotiations with Lifestyle and financial creditors of the Group, a majority of the financial creditors in number and debt amount indicated their acceptance (subject to legally binding documentation) of the principal terms of the financial restructuring which involved, among other things, injection by Lifestyle of new funds into the Company in the amount of approximately HK$1.2 billion and reduction of the level of the Group's indebtedness owed to financial creditors. The financial restructuring is subject to a number of substantial conditions and may or may not be possible to implement successfully. The outcome of the financial restructuring will have a material impact on the bank facilities referred to in this section.

OTHER INFORMATION

COMPLIANCE WITH THE CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

As at the date of this Interim Report, the following obligations continue to exist:

On 3rd June, 2005, the Company's wholly-owned subsidiary, EganaGoldpfeil Europe (Holdings) GmbH, entered into a loan agreement with a syndicate of banks in respect of a EUR60,000,000 loan facility ("EUR60 Million Loan Facility"). The proceeds were used exclusively to (i) refinance the acquisitions of the Salamander Trademark, Salamander Leather and Footwear Businesses in Europe (except Germany) and Salamander Retail Shops operations in Germany (these transactions have been disclosed in the Company's announcement dated 7th March, 2005 and a circular dated 24th March, 2005) and (ii) finance the Company's general working capital requirements. EUR12,500,000 was repaid in June 2006 and the terms of the EUR60 Million Loan Facility require that the remaining EUR47,500,000 be repaid in full on or before 8th June, 2010;

On 31st August, 2005, the Company entered into a loan agreement with a syndicate of banks in respect of a US$16,000,000 loan facility ("US$16 Million Loan Facility"). The proceeds were used exclusively for general corporate funding of the Group. The US$16 Million Loan Facility should be repaid in full on or before 31st August, 2008;

On 8th February, 2006, the Company's wholly-owned subsidiary, EganaGoldpfeil Europe (Holdings) GmbH, entered into a loan agreement with a syndicate of banks in respect of a EUR20,000,000 loan facility ("EUR20 Million Loan Facility"). The proceeds were used exclusively to (i) refinance the acquisitions of the Salamander Trademark, Salamander Leather and Footwear Businesses in Europe (except Germany) and Salamander Retail Shops operations in Germany and (ii) finance the Company's general working capital requirements. The EUR20 Million Loan Facility should be repaid in full on or before 10th February, 2011;

On 15th June, 2007, the Company entered into a loan agreement with a syndicate of banks for a three-year term loan facility amounting to HK$1,000,000,000 ("HK$1 Billion Loan Facility"). The proceeds were used to refinance the Company's indebtedness under a HK$300,000,000 syndicated loan obtained in January 2005 and for the Company's general working capital requirements. The HK$1 Billion Loan Facility should be repaid in full on or before 15th June, 2010; and

On 23rd May, 2006, the Company's subsidiaries (Egana of Switzerland (Far East) Limited, Egana-Haru Mfr. Corp. Limited and Bartelli Leather Products Limited) entered into an arrangement with a bank in respect of a USD7,000,000 trading credit

COMPLIANCE WITH THE CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") *(continued)*

facility and a USD3,000,000 revolving credit facility, each of which is to continue until such time as notice of termination is given by the bank;

in each case, along with any guarantees given in relation thereto (a "**Facility**", and together the "**Facilities**").

Pursuant to the terms and conditions of each of the Facilities, Mr. Seeberger, his discretionary trust and his associates (as defined in the Listing Rules) are required, inter alia, to maintain beneficial ownership of not less than 30% of the issued shares of the Company and not to sell, transfer, encumber or otherwise dispose of all or part of the shareholdings in the Company for financing purposes.

Breach of the above terms and conditions will constitute an event of default under each respective Facility. If such an event of default occurs, all amounts outstanding, including the accrued interest and all other sums payable, under each respective Facility may become immediately due and payable. Following Mr. Seeberger's death, the Company is seeking waivers of the breaches of the relevant terms and conditions from the respective lenders. Mr. Seeberger's death has not given rise to any demand being made under the Facilities to date.

Bridging Loan

On 23rd September, 2007, the Company entered into an agreement with Billion Empire Limited (the "Lender"), a wholly-owned subsidiary of Lifestyle International Holdings Limited, for a loan of HK$300 million (the "Bridging Loan"), which was drawn down in full on 24th September, 2007. The Bridging Loan is secured by (inter alia) a charge over 434,345,736 shares in the Company held by Joint Asset International Limited ("Joint Asset Shares"), a wholly owned subsidiary of Peninsula International Limited. Pursuant to the terms of this share security, Joint Asset International Limited is required to remain as legal and beneficial owner of the Joint Asset Shares, and is restricted from creating any further security interests over, and from selling, transferring, assigning or otherwise disposing of its interests in, those shares. The Joint Asset Shares represent approximately 29.67% of the issued share capital of the Company.

The initial four month term of the Bridging Loan was extended to 22nd February, 2008 by a supplemental agreement entered into between the Company and the Lender on 25th January, 2008.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30th November, 2007, the interests and short positions of the Directors and Chief Executive in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company were as follows:

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (share options)	Total Interests (including underlying shares) as % of the issued share capital
Number of shares of HK$1.00 each in the Company								
Peter Ka Yue LEE	531,377	-	8,279,998 *(Note i)*	-	8,811,375	0.60%	500,000 *(Note ii)*	0.64%
Michael Richard POIX	2,923,500	-	-	-	2,923,500	0.20%	500,000 *(Note ii)*	0.23%
Juergen Ludwig HOLZSCHUH	3,300	-	-	-	3,300	0%	-	0%
Professor Udo GLITTENBERG	116,751	-	-	-	116,751	0.01%	-	0.01%
Dr. Goetz Reiner WESTERMEYER	291,877	-	-	-	291,877	0.02%	-	0.02%

Notes:

i. These shares were beneficially owned by Joshua Limited, a company wholly and beneficially owned by Mr. Peter Ka Yue LEE.

ii. The options, exercisable at HK$2.11 per share, were granted pursuant to the Company's Executive Share Option Scheme.

iii. All the interests stated above represent long position.

OTHER INFORMATION *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Certain Directors held certain nominee shares in the Company's subsidiaries in trust for the Company as at 30th November, 2007.

Save as disclosed above, as at 30th November, 2007, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company within the meaning of Part XV of the SFO which were required to be notified to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, (the "Model Code") or which are required to be entered in the register under section 352 of the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OTHER THAN THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY

As at 30th November, 2007, the following person, other than the Directors and the Chief Executive of the Company, held interests in the shares or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

	Beneficial Owner	Security Interests	Total Interests	Total Interest as % of issued share capital
Number of shares of HK$1.00 each in the Company				
Joint Asset International Limited *(Note i)*	434,345,736	–	434,345,736	29.67%
Peninsula International Limited *(Note ii)*	485,388,326	–	485,388,326	33.15%
Billion Empire Limited *(Note iii)*	–	434,345,736	434,345,736	29.67%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OTHER THAN THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY *(continued)*

Notes:

i. Joint Asset International Limited ("JA") is a wholly-owned subsidiary of Peninsula International Limited ("PIL").

ii. The interest includes 51,042,590 and 434,345,736 shares held by PIL and JA respectively. PIL is a wholly-owned investment holding company of The Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Hans-Joerg SEEBERGER, who passed away on 19th October 2007, and his family.

iii. The 434,345,736 shares under the security interests of Billion Empire Limited ("Billion Empire") were in fact the same block of shares under the beneficial interest of JA. JA pledged its beneficial holding of 434,345,736 shares to Billion Empire. Billion Empire was wholly-owned by Lifestyle International Holdings Limited ("Lifestyle") and that Mr. Lau Luen Hung Thomas and Chow Tai Fook Enterprises Limited were ultimate substantial shareholders of Lifestyle.

iv. All the interests stated above represent long positions.

Save as disclosed above, as at 30th November, 2007, the Company had not been notified by any other person (other than the Directors and the Chief Executive) having interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company

Share options are granted to the Directors, executives and employees under the Executive Share Option Scheme of the Company adopted on 31st May, 1993 (the "Scheme").

OTHER INFORMATION *(continued)*

SHARE OPTION SCHEME *(continued)*

The Company *(continued)*

The following shows the particulars of the share options of the Company granted to the Directors, executives and employees of the Group that are required to be disclosed pursuant to Rule 17.07 of Chapter 17 and sub-paragraph 13(1) of Appendix 16 of the Listing Rules during the period:

Directors	Number of shares comprising the options outstanding at the beginning of the period	Number of options lapsed	Number of shares comprising the options outstanding at the end of the period	Date granted	Subscription price per share
					HK$
Hans-Joerg SEEBERGER	12,000,000	12,000,000 *(Note i)*	–	09/01/2000	2.11
Peter Ka Yue LEE	500,000	–	500,000	09/01/2000	2.11
Michael Richard POIX	500,000	–	500,000	17/01/2000	2.11
Employees under continuous contracts (excluding Directors)	875,000	50,000	825,000	17/01/2000 to 25/02/2000	2.11
	13,875,000	12,050,000	1,825,000		

Notes:

i. Mr. Seeberger passed away on 19th October, 2007 and the options lapsed accordingly.

ii. The outstanding options can be exercised in accordance with the Scheme at any time from the date on which the options are granted and prior to the expiry of 10 years from that date, provided that up to 20%, 40%, 60% and 80% of the original number of shares comprising the options can be exercised in the 1st, 2nd, 3rd and 4th year from the date granted, respectively.

Save as disclosed above, no right to subscribe for the securities of the Company or its associated corporation within the meaning of the SFO, has been granted by the Company to, nor have any such rights been exercised by, any person during the period.

EMPLOYEES

The Group had approximately 7,200 employees as at 30th November, 2007, compared to approximately 7,400 employees as at 31st May, 2007. Remuneration is determined by reference to the employees' performance, qualifications, relevant working experiences and the prevailing market conditions. Performance-based bonus and a retention bonus system are in place to motivate and reward employees to achieve the Company's business performance targets.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of, the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30th November, 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30th November, 2007, with deviations from certain code provisions as summarised below.

Pursuant to code provision A.1.3 of the Code, notice of at least 14 days should be given of a regular board meeting. In order to timely discuss and address the current financial difficulties of the Group, certain regular and other board meetings were convened with shorter than 14 days' notice.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

It is stipulated under code provision A.2.1 of the Code that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Following the death of Mr. Seeberger in October 2007, the Board has not yet appointed a new Chairman because the Board intends to make such appointment after completion of the Lifestyle Proposal. Mr. Seeberger's duties as Chairman had been delegated in part to Mr. Peter Ka Yue Lee who assisted in the management of the Board's affairs as Deputy Chairman.

As stipulated under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. At present, the Company's independent non-executive directors of the Company are not appointed for a specific term. In accordance with the articles of association of the Company, all directors appointed either to fill a casual vacancy or as an additional board member are subject to election at the first general meeting after the appointment. One-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director (excluding the Chairman), including those appointed for a specific term, is subject to retirement by rotation at least once every three years. The Board considers that sufficient measures have been taken to ensure the corporate governance practices of the Company are equivalent to those in the Code.

It was stated in the annual report of the Group for the year ended 31st May, 2007 that it became apparent from KPMG's review on the Group's receivables that significant provisions for asset impairment were required for the Group's receivables and promissory notes and that a number of high value transactions occurred without reference to or approval by the Board. The fact that such transactions could have occurred without the Board reviewing them and assessing the risks involved has revealed significant weaknesses and failings in the Company's internal control and risk management system. The Board intends to appoint external professionals to review the internal control systems of the Group so as to address such weaknesses. The Company has commenced solicitation of proposals from relevant professionals and such review will take place as soon as practicable.

MODEL CODE

The Company has adopted its "Code for Securities Transactions by Directors" (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code (Appendix 10 of the Listing Rules). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Code of Conduct throughout the period under review.

INDEPENDENT NON-EXECUTIVE DIRECTORS

On 31st July, 2007, Mr. Andy Yick Man Ng ("Mr. Ng") resigned as an independent non-executive director of the Company. Following Mr. Ng's resignation, the number of independent non-executive Directors is two, below the minimum number and the qualification requirement as stipulated under Rules 3.10(1) and (2) of the Listing Rules. The Board intends to appoint a sufficient number of independent non-executive Directors, with at least one of them having the appropriate professional qualifications or accounting or related financial management expertise as soon as possible to meet the Listing Rules requirements. However, the appointment is not likely to be practicable unless and until the Lifestyle Proposal is implemented.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited financial statements for the six months ended 30th November, 2007 and the interim report including the accounting principles and practices and any significant change in accounting policies adopted by the Group.

OTHER INFORMATION *(continued)*

AUDIT COMMITTEE *(continued)*

Following the resignation of Mr. Ng on 31st July, 2007, the composition of the Audit Committee has fallen below the minimum number requirement and failed to meet the qualification requirement as stipulated under Rule 3.21 of the Listing Rules. The Board intends to appoint an additional committee member having the appropriate professional qualifications or accounting or related financial management expertise as soon as possible to meet the Listing Rules requirements. However, the appointment is not likely to be practicable unless and until the Lifestyle Proposal is implemented.

On behalf of the Board
EganaGoldpfeil (Holdings) Limited
Peter Ka Yue LEE
Deputy Chairman

Hong Kong, 21st February, 2008