EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永 義 國 際 集 團 有 限 公 司

(Stock Code : 1218)

2006/2007
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Tse Wing Chiu, Ricky
(President and Chief Executive Officer)
Ms. Lui Yuk Chu *(Vice President)*
Mr. Kwong Jimmy Cheung Tim

Independent Non-Executive Directors
Mr. Wong Sui Wah, Michael
Mr. Tsui Chun Kong
Mr. Jong Koon Sang

AUDIT COMMITTEE

Mr. Wong Sui Wah, Michael *(Chairman)*
Mr. Tsui Chun Kong
Mr. Jong Koon Sang

REMUNERATION COMMITTEE

Mr. Tsui Chun Kong *(Chairman)*
Mr. Wong Sui Wah, Michael
Mr. Jong Koon Sang

EXECUTIVE COMMITTEE

Mr. Tse Wing Chiu, Ricky *(Chairman)*
Ms. Lui Yuk Chu
Mr. Kwong Jimmy Cheung Tim

COMPANY SECRETARY

Mr. Chan Po Cheung

QUALIFIED ACCOUNTANT

Mr. Chan Po Cheung

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

As to Hong Kong law:
Richards Butler

As to Bermuda law:
Appleby Hunter Bailhache

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan, Kowloon
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
65 Front Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1218

On behalf of the board of directors (the "Board") of Easyknit International Holdings Limited (the "Company"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2007.

VOLUNTARY DELISTING FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

On 22 May 2006, the Company announced that the Board proposed to seek a voluntary delisting (the "Delisting") of the Company from the Official List of The Singapore Exchange Securities Trading Limited (the "SGX-ST") pursuant to Rule 1306 of the SGX-ST Listing Manual. A special resolution approving the Delisting was passed at the special general meeting of the Company held on 31 July 2006. The shares of the Company were removed from the Official List of the SGX-ST at the close of trading on 18 August 2006 and were delisted on the SGX-ST on 28 August 2006. After the Delisting, the shares of the Company continue to be listed and traded on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

FINANCIAL RESULTS

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$557,737,000 (2006: approximately HK$489,715,000), representing an increase of approximately 13.9% from last year. Gross profit increased approximately 15.8% to approximately HK$103,461,000 (2006: approximately HK$89,360,000). Gross profit margin rose slightly from approximately 18.2% to approximately 18.6%.

Loss attributable to shareholders was approximately HK$115,597,000 as compared to profit attributable to shareholders of approximately HK$172,851,000 last year, largely due to the loss on disposal of available-for-sale investments of approximately HK$43,027,000 and impairment loss on available-for-sale investments of approximately HK$121,465,000 as well as substantial reduction in gain arising on change in fair value of investment properties from approximately HK$189,730,000 for the year ended 31 March 2006 to approximately HK$7,370,000. Basic loss per share was approximately HK$0.260 (2006: basic earnings per share of approximately HK$1.237).

Cost of sales increased by approximately 13.5% to approximately HK$454,276,000 (2006: approximately HK$400,355,000), reflecting the increase in sales for the year under review. The total operating expenses increased by approximately 5.2% to approximately HK$65,394,000 (2006: approximately HK$62,148,000).

Finance costs decreased by approximately 99.3% to approximately HK$31,000 (2006: approximately HK$4,609,000) as all bank borrowings were repaid during the year under review.

BUSINESS REVIEW

During the year ended 31 March 2007, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment and development.

Garment sourcing and exporting

During the year under review, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.8% to the Group's total turnover, representing an increase of approximately 0.1% as compared to that of last year (2006: approximately 93.7%). Turnover from this segment increased by approximately 14.1% to approximately HK$523,188,000 (2006: approximately HK$458,666,000). This segment recorded a profit of approximately HK$23,037,000, a turnaround as compared to last year (2006: loss of approximately HK$20,235,000), largely due to the impairment loss on trade and other receivables of approximately HK$33,315,000 recorded during the year ended 31 March 2006 but no such impairment loss was recorded during the year under review. The Group continued to alter its product mix to cater for the changes in customer needs. The product mix of infant wear and ladies wear changed from 38: 46 for the year ended 31 March 2006 to 33: 50 for the year under review.

Property investment and development

On 22 July 2006, the Group acquired the entire issued share capital of a company called Happy Light Investments Limited ("Happy Light"). Through the acquisition of Happy Light, the Group has acquired 18 out of 20 units (the "Properties") in a building situated in Nos. 1 and 1A Victory Avenue and Nos. 3 and 3A Victory Avenue in Kowloon, Hong Kong (the "Building") for an aggregate consideration of approximately HK$139,710,000. The acquisition of the Properties together with the remaining 2 units constitutes a major transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). It was approved by the shareholders of the Company at a special general meeting held on 19 July 2006. Details of this major transaction are set out in the Company's circular dated 3 July 2006.

For the year ended 31 March 2007, the property investment and development segment contributed approximately HK$34,549,000 or 6.2% (2006: approximately HK$31,049,000 or 6.3%) to the Group's total turnover. Profit of this segment dropped approximately 84.3% to approximately HK$33,255,000 (2006: approximately HK$212,484,000), principally due to substantial reduction in gain arising on change in fair value of investment properties from approximately HK$189,730,000 for the year ended 31 March 2006 to approximately HK$7,370,000. Rental income from investment properties, which are all located in Hong Kong increased to approximately HK$26,138,000 (2006: approximately HK$22,432,000). The average rental income of the Group increased by approximately 16.5% during the year under review. As at 31 March 2007, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 95.2%. The building management fee income was approximately HK$278,000 (2006: approximately HK$268,000).

The sale of residential units of Fa Yuen Plaza in Mongkok generated approximately HK$8,133,000 cash inflow to the Group during the year under review (2006: approximately HK$8,349,000). As at 31 March 2007, approximately 94.0% of the available units were sold with the average selling price per square foot gross floor area decreased from approximately HK$4,100 for the year ended 31 March 2006 to approximately HK$3,800 for the year ended 31 March 2007.

As at 31 March 2007, the Group's entire property portfolio stood over approximately HK$769,681,000 (31 March 2006: approximately HK$604,126,000).

Geographical analysis of turnover

Geographically, the United States of America (the "US") remained to be the Group's major export market, from which approximately 84.1% (2006: approximately 86.3%) of the Group's total turnover was generated.

The Hong Kong, European and Mexican markets accounted for approximately 6.2%, 8.9% and 0.8% of the Group's total turnover respectively.

PROSPECTS

Garment sourcing and exporting

The directors are optimistic to the future development of the garment sourcing and exporting business of the Group in view of its stable customer base and customer orders.

The Group is seeking to capture greater shares of its existing markets by bolstering its customer base and sales network, and to expand its reach to other potential markets. We will continually improve our product range in order to meet the changing customer needs.

Property investment and development

The directors are confident that the Group will benefit from the upturn of the local property market. According to the data from the Land Registry, the total number of sale and purchase agreements for all types of building units received for registration in May 2007 was 13,090, reaching a two-year high. This was an increase of approximately 40.3% compared with May 2006. An improving job market and generally buoyant stock market activity will help stimulate the local consumption sentiment and in turn boost the retail market. As a result, rental income is expected to increase, especially in prime areas such as Causeway Bay and Mongkok where some of the Group's investment properties are located. As the Building (as defined in "Business Review" above) is located at the prime commercial and residential location near Ho Man Tin and Mongkok, Kowloon, its re-development potential looks promising.

The Group will expand its property portfolio both inside and outside Hong Kong when suitable opportunities arise in order to bring a positive return to the Group and its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2007, the Group financed its operations mainly by internally generated resources. As at 31 March 2007, the shareholders' fund of the Group was approximately HK$1,369,178,000 (31 March 2006: approximately HK$1,030,928,000). As the Group had no bank borrowings as at 31 March 2007 (31 March 2006: approximately HK$3,819,000), no gearing ratio of the Group is presented at 31 March 2007. As at 31 March 2006, the Group's gearing ratio, which was calculated on the basis of the total borrowings to the shareholders' fund, was approximately 0.0037.

The Group continued to sustain a good liquidity position. As at 31 March 2007, the Group had net current assets of approximately HK$465,554,000 (31 March 2006: approximately HK$281,721,000) and cash and cash equivalents of approximately HK$343,353,000 (31 March 2006: approximately HK$174,580,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars. As at 31 March 2007, the current ratio of the Group was approximately 7.15 (31 March 2006: approximately 4.78), which was calculated on the basis of current assets of approximately HK$541,207,000 (31 March 2006: approximately HK$356,172,000) to current liabilities of approximately HK$75,653,000 (31 March 2006: approximately HK$74,451,000). The current ratio improved significantly, primarily as a result of the Second Rights Issue (as defined in "Capital Structure" below) which had increased the bank balances and cash. During the year under review, the Group serviced its debts primarily through internally generated resources.

The directors believe that the Group has sufficient financial resources for its operations. We will remain cautious in the Group's liquidity management.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Group's revenues and payments are in Hong Kong dollars and US dollars. As the Hong Kong dollars are pegged to the US dollars, the Group had no significant exposure to fluctuations in exchange rates during the year under review. Hence, no financial instrument for hedging purposes was employed.

CAPITAL STRUCTURE

On 8 March 2006, the Company announced that it proposed a rights issue of not less than 661,836,693 rights shares of HK$0.10 each at a subscription price of HK$0.12 per rights share on the basis of one rights share for every two shares held (the "First Rights Issue"). Upon completion of the First Rights Issue on 24 April 2006, the issued share capital of the Company was increased from HK$132,367,338.60 to HK$198,551,007.90 comprising 1,985,510,079 shares of HK$0.10 each. Details of the First Rights Issue are set out in the Company's prospectus dated 3 April 2006.

On 30 August 2006, the Company announced that it proposed, amongst others, (i) the consolidation of every 10 issued and unissued shares of HK$0.10 each into one share of HK$1.00 each (the "Consolidated Share") (the "Share Consolidation"); (ii) the reduction of par value of each Consolidated Share in issue from HK$1.00 each to HK$0.01 each (the "Adjusted Share") by cancelling HK$0.99 paid up capital on each Consolidated Share in issue, the subdivision of each unissued Consolidated Share of HK$1.00 each into 100 new unissued Adjusted Shares of HK$0.01 each and the transfer of the credit arising from the cancellation of paid up capital of HK$196,565,496.93 to a capital reserve account of the Company (the "Capital Reduction"); and (iii) a rights issue of not less than 595,653,021 rights shares of HK$0.01 each at a subscription price of HK$0.35 per rights share on the basis of three rights shares for every Adjusted Share held (the "Second Rights Issue"). Details of the Share Consolidation, the Capital Reduction and the Second Rights Issue are set out in the Company's circular dated 22 September 2006.

Resolutions approving the Share Consolidation, the Capital Reduction and the Second Rights Issue were passed at the special general meeting of the Company held on 16 October 2006. Upon the Share Consolidation and the Capital Reduction becoming effective on 17 October 2006, the authorised share capital of the Company was HK$1,000,000,000 divided into 100,000,000,000 shares of HK$0.01 each, of which 198,551,007 shares of HK$0.01 each were in issue. As a result of the Second Rights Issue, the issued share capital of the Company has been increased from HK$1,985,510.07 to HK$7,942,040.28 comprising 794,204,028 shares of HK$0.01 each with effect from 3 November 2006.

The Group has no debt securities or other capital instruments as at 31 March 2007 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

Apart from the acquisition of Happy Light (as defined in "Business Review" above) in July 2006 for a consideration of HK$53,680,000, the Group had no material acquisitions or disposal of subsidiaries or associates during the year ended 31 March 2007.

CHARGES ON GROUP ASSETS

As at 31 March 2007, certain investment properties of the Group with carrying amount of approximately HK$131,000,000 (31 March 2006: certain leasehold properties and investment properties of the Group with carrying amounts of approximately HK$9,116,000 and approximately HK$588,000,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the year ended 31 March 2007, the Group spent approximately HK$1,837,000 (2006: approximately HK$1,077,000) on acquisition of property, plant and equipment.

As at 31 March 2006 and 31 March 2007, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2007, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK$4,648,000 (31 March 2006: approximately HK$8,333,000) were supported by the Company's corporate guarantees given to the bank.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2007.

SIGNIFICANT INVESTMENT

On 11 October 2006, the Company announced that on 9 October 2006, Mark Profit Development Limited, a wholly-owned subsidiary of the Company, disposed of 166,430,500 shares (the "Sale Shares") in Capital Estate Limited, the shares of which are listed on the Stock Exchange, in the market at a total consideration of HK$18,640,000. The Group recorded impairment loss on available-for-sale investments of approximately HK$14,147,000 and loss on disposal of available-for-sale investments of approximately HK$566,000 from the disposal of the Sale Shares. The disposal of the Sale Shares constitutes a discloseable transaction of the Company under the Listing Rules and its details are set out in the Company's circular dated 27 October 2006.

As at 31 March 2007, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK$84,830,000 (31 March 2006: approximately HK$93,987,000) and investments held for trading of approximately HK$41,566,000 (31 March 2006: approximately HK$3,600,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the year under review, the Group recorded gain on fair value changes of investments held for trading of approximately HK$1,199,000 (2006: approximately HK$12,000), loss on disposal of available-for-sale investments of approximately HK$43,027,000 (2006: Nil) and impairment loss on available-for-sale investments of approximately HK$121,465,000 (2006: Nil).

Save as disclosed above and the acquisition of the whole Building (as defined in "Business Review" above) for re-development, the Group did not have any significant investment held or any significant investment plans as at 31 March 2007.

FUTURE PLAN FOR MATERIAL INVESTMENTS

While the directors of the Company are constantly looking for investment opportunities, no concrete new investment projects have been identified.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2007, the number of employees of the Group in Hong Kong and the US was about 60 and 13 respectively. Staff costs (including directors' emoluments) amounted to approximately HK$30,546,000 for the year under review (2006: approximately HK$27,152,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our staff and fellow directors for their contribution to the Group's development and cordial thanks to the continuing support of our customers, suppliers, business associates and shareholders.

Tse Wing Chiu, Ricky
President and Chief Executive Officer

Hong Kong, 20 July 2007

EXECUTIVE DIRECTORS

Mr. Tse Wing Chiu, Ricky *President and Chief Executive Officer*

Mr. Tse, aged 49, is an executive director, President, Chief Executive Officer and authorised representative of the Company and a member and Chairman of the Executive Committee of the Board. He is also an executive director, Chairman, Chief Executive Officer and authorised representative, and a member and Chairman of the Executive Committee of the board of directors of Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"). Mr. Tse obtained a Master's Degree in Business Administration from Adam Smith University of America in the US in 1996. He has over 31 years of experience in garment manufacturing and merchandising. He serves as director of various subsidiaries of the Company and Easyknit Enterprises. Mr. Tse was appointed to the Board in November 2005.

Ms. Lui Yuk Chu *Vice President*

Ms. Lui, aged 49, is an executive director and Vice President of the Company and a member of the Executive Committee of the Board. She is a co-founder of the Group. She is also an executive director and Deputy Chairman, and a member of the Executive Committee of the board of directors of Easyknit Enterprises. Ms. Lui has been involved in the textiles industry for more than 29 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit Enterprises. Ms. Lui was appointed to the Board in September 1994.

Mr. Kwong Jimmy Cheung Tim

Mr. Kwong, aged 64, is an executive director of the Company and a member of the Executive Committee of the Board. He is also an executive director and a member of the Executive Committee of the board of directors of Easyknit Enterprises. Mr. Kwong was graduated from The University of Hong Kong in 1965 and was admitted as Barrister-at-law in the United Kingdom in 1970 and Hong Kong in 1973 respectively. He has over 30 years of experience in the legal field and is now a practising Barrister. Mr. Kwong was appointed to the Board in April 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sui Wah, Michael

Mr. Wong, aged 48, is a member and Chairman of the Audit Committee of the Board and a member of the Remuneration Committee of the Board. He is a solicitor and notary public of Hong Kong and a China Appointed Attesting Officer. He is a partner in Philip K H Wong, Kennedy Y H Wong and Co. Solicitors & Notaries. He obtained his B.A. Degree from McMaster University in Canada in 1981 and his LL.B. from University of London in the United Kingdom, where he attended King's College, in 1984. He is also the Company Secretary of Raymond Industrial Limited, a company listed on the Stock Exchange. Mr. Wong was appointed to the Board in October 2000.

Mr. Tsui Chun Kong

Mr. Tsui, aged 56, is a member and Chairman of the Remuneration Committee of the Board and a member of the Audit Committee of the Board. He obtained a Master's Degree in Business Administration from the Oklahoma City University in the US in 1991 and is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Tsui has over 34 years of experience in the public accounting profession and the commercial sector, especially the travel industry. He has experience in the preparation for the listing of shares on the Stock Exchange and worked for a few listed companies. Mr. Tsui is now practising as a public accountant under his own name. Mr. Tsui was appointed to the Board in September 2004.

Mr. Jong Koon Sang

Mr. Jong, aged 58, is a member of the Audit Committee and Remuneration Committee of the Board. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of International Accountants, England. He is also a statutory member of the Chartered Management Institute, England and an associate member of The Taxation Institute of Hong Kong. Mr. Jong is currently the Honorary Treasurer of The Association of International Accountants, Hong Kong Branch, the accountant ambassador of The Hong Kong Institute of Certified Public Accountants and Honorary Vice President of Accounting Student Society of Hong Kong University of Science and Technology. He is also a director of Hong Kong Cheshire Home Foundation and a member of Hospital Governing Committee (HGC) of Cheshire Home Shatin. Mr. Jong has over 38 years of management experience in the financial, industrial and property business. He was the chief executive officer and financial controller of two shopping malls in New Zealand. He had held senior management positions in a number of listed companies and conglomerates in the Asia Pacific region. Mr. Jong was appointed to the Board in January 2005.

SENIOR MANAGEMENT

Mr. Chan Po Cheung *Chief Financial Officer and Company Secretary*

Mr. Chan, aged 50, joined the Group in December 2005. He is the Chief Financial Officer, Company Secretary, Qualified Accountant and authorised representative of the Company. Mr. Chan is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He has over 20 years of experience in the accountancy field.

Mr. Leung Chak Man *General Manager – Property Division*

Mr. Leung, aged 53, joined the Group in August 2006. He is responsible for the Group's property development and construction management. Mr. Leung is a fellow member of both the Royal Institution of Chartered Surveyors (Building Surveying Division) and the Chartered Institute of Building, and a Registered Professional Engineer in Hong Kong. Mr. Leung has over 25 years of experience in the property development and construction management field.

Miss Leung Siu Mei *Assistant General Manager*

Miss Leung, aged 47, joined the Group in 1992 and was promoted to her current position in 1994. She is responsible for the Group's financial and administration management.

Miss Ho Yuen Yi *Assistant General Manager*

Miss Ho, aged 51, joined the Group in 2005. She is responsible for the Group's merchandising, shipping and quality control.

Mr. Chan Chung Shun *Property Manager*

Mr. Chan, aged 51, joined the Group in 1998. He is responsible for the Group's property management. Mr. Chan obtained the honour degree of Bachelor of Arts from the University of Middlesex in England in 1983.

The board of directors of the Company (the "Board") is committed to achieving high standards of corporate governance by emphasising transparency, independence, accountability, responsibility and fairness. The Board strives to ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company and to enhance long-term shareholders' value.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2007, the Company applied the principles of, and complied with, all the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviations. The Company took active steps to correct some of the deviations during the year. Nevertheless, none of the remaining deviations are considered by the Board to be material or inappropriate given the size, nature and circumstances of the Group.

Code provision A.2.1

Mr. Tse Wing Chiu, Ricky is the President and Chief Executive Officer of the Company. The Board considers that the combination of the roles of President and Chief Executive Officer will not impair the balance of power and authority between the Board and the management of the Company as the Board will meet regularly to consider major matters affecting the operations of the Group. The Board is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently. As such, it is beneficial to the business prospects of the Group.

Code provision A.4.1

All the non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation no later than the third annual general meeting after they were last elected or re-elected pursuant to the Bye-laws of the Company.

Code provisions B.1.3(a) and (b)

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the Code provision B.1.3 except that the Remuneration Committee should make recommendations to the Board on the Company's policy and structure for all remuneration of "directors" only (as opposed to "directors and senior management" under the Code provision B.1.3(a)); and should "review" (as opposed to "determine" under the Code provision B.1.3(b)) and make recommendations to the Board on the remuneration packages of "executive directors" only (as opposed to "executive directors and senior management" under the Code provision B.1.3(b)) for the following reasons:

1. the Remuneration Committee comprises independent non-executive directors only who are not involved in the daily operation of the Group. They may not be industry skilled due to their different backgrounds and professions and may not be knowledgeable about the prevailing remuneration packages for directors and senior management in the industry where the Company is operating. The Remuneration Committee is thus not in a position to properly "determine" the remuneration of the executive directors and senior management;

2. the Remuneration Committee members are not in a position to properly evaluate the performance of senior management due to their limited time involved in the Company's business. The evaluation process is more effectively carried out by the executive directors who devote most of their active business time to the business and affairs of the Group; and

3. the executive directors may not be able to take good control of their subordinates if they are not directly involved In evaluating and determining their subordinates' remuneration. As a result, the efficiency and effectiveness of the Company's operations may be affected.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct in relation to directors' securities transactions. All directors of the Company have confirmed, following specific enquiry made by the Company, that they complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

The Board currently comprises six directors, with three executive directors and three independent non-executive directors. The composition of the Board during the year and up to the date of this report is set out as follows:

Executive directors:

Mr. Tse Wing Chiu, Ricky - *President and Chief Executive Officer*
Ms. Lui Yuk Chu - *Vice President*
Mr. Kwong Jimmy Cheung Tim (appointed on 2 April 2007)

Independent non-executive directors:

Mr. Wong Sui Wah, Michael
Mr. Tsui Chun Kong
Mr. Jong Koon Sang

The biographical details of the existing directors are set out in the "Biographical Details of Directors and Senior Management" on pages 10 and 11 of this annual report.

Throughout the year ended 31 March 2007, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Board has received from each independent non-executive director an annual confirmation of his independence and considers that all the independent non-executive directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board met four times during the year ended 31 March 2007. The individual attendance records of the directors at the Board meetings are as follows:

Name of directors	Number of meetings attended	Attendance rate
Executive directors		
Mr. Tse Wing Chiu, Ricky	4/4	100%
Ms. Lui Yuk Chu	4/4	100%
Independent non-executive directors		
Mr. Wong Sui Wah, Michael	3/4	75%
Mr. Tsui Chun Kong	4/4	100%
Mr. Jong Koon Sang	4/4	100%

The Board has reserved for its decision or consideration matters covering mainly the corporate strategy, board composition, material transactions and investments, risk management, internal control and other significant policies and financial matters. The Board has delegated responsibility for day-to-day management of the Group through the Chief Executive Officer down to the executive management. The respective functions of the Board and management of the Company have been formalised and set out in writing which was approved by the Board in December 2005. Such arrangement will be reviewed periodically.

President and Chief Executive Officer

Mr. Tse Wing Chiu, Ricky currently assumes the roles of both the President and Chief Executive Officer of the Company. The reasons for the deviation from the Code provision A.2.1 are explained in the section headed "Corporate Governance Practices" above.

Retirement and re-election of directors

The Bye-laws of the Company provide that (1) every director is required to retire by rotation at the annual general meeting no later than the third annual general meeting after he was last elected or re-elected and the directors to retire at every annual general meeting shall be decided by the Board; and (2) any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at the meeting.

Independent non-executive directors

All the independent non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

BOARD COMMITTEES

The Board has established three committees, namely the Remuneration Committee, the Audit Committee and the Executive Committee with clearly defined written terms of reference. Each committee reports back to the Board on its decisions or recommendations after each meeting for further discussion and approval, unless there are legal or regulatory restrictions on its ability to do so.

Remuneration Committee

The Company has established a Remuneration Committee. The terms of reference of the Remuneration Committee are in compliance with the provisions set out in the Code, but with deviations from the Code provisions B.1.3(a) and (b). Details of such deviations are set out in the section headed "Corporate Governance Practices" above.

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Tsui Chun Kong (Committee Chairman), Mr. Wong Sui Wah, Michael and Mr. Jong Koon Sang. The principal duties of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors; (ii) to make recommendations to the Board on the remuneration packages of all directors; (iii) to review and approve performance-based remuneration; and (iv) to ensure that no director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 March 2007, one Remuneration Committee meeting was held. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended	Attendance rate
Mr. Tsui Chun Kong	1/1	100%
Mr. Wong Sui Wah, Michael	1/1	100%
Mr. Jong Koon Sang	1/1	100%

During the meeting, the Remuneration Committee reviewed and recommended the remuneration packages for each director of the Company for the year ended 31 March 2007 for the Board's approval.

The primary objective of the director remuneration policy is to attract, retain and motivate the Board members by providing fair reward for their contributions to the Group's performance. In this context, the remuneration policy is to set the overall remuneration package at a competitive level and in a form that permits additional remuneration to be earned for high performance over a sustained period. The directors' remuneration packages are determined with reference to the time commitment and responsibilities of individual directors, the Company's performance and the prevailing market conditions.

The main components of the executive directors' remuneration are director's fee, basic salary, benefits in kind, discretionary performance based bonus, retirement benefits and participation in the share option scheme adopted by the shareholders of the Company in February 2002 (the "Share Option Scheme").

The independent non-executive directors do not receive any discretionary bonus or other benefits from the Company. But each of them is entitled to a director's fee and is eligible for the Share Option Scheme subject to the approval of the shareholders of the Company.

During the year ended 31 March 2007, no director was involved in deciding his own remuneration.

Audit Committee

The Company has established an Audit Committee. The terms of reference of the Audit Committee are in compliance with the provisions set out in the Code.

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Wong Sui Wah, Michael (Committee Chairman), Mr. Tsui Chun Kong and Mr. Jong Koon Sang. Executive directors, senior management, head of Accounts Department, Qualified Accountant, representatives of the external auditor of the Company (the "Auditor") or other persons will be invited to attend the meetings of the Audit Committee as and when required.

The principal duties of the Audit Committee include, (i) to oversee the relationship with the Auditor; (ii) to review the interim and annual financial statements before publication; and (iii) to oversee the Group's financial reporting system and internal control procedures.

During the year ended 31 March 2007, two Audit Committee meetings were held. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended	Attendance rate
Mr. Wong Sui Wah, Michael	2/2	100%
Mr. Tsui Chun Kong	2/2	100%
Mr. Jong Koon Sang	2/2	100%

During the year ended 31 March 2007, the Audit Committee (i) reviewed the reports from the Auditor, accounting principles and practices adopted by the Group, management representation letters, and management's response in relation to the annual results for the year ended 31 March 2006 and the interim results for the six months ended 30 September 2006; and (ii) reviewed the financial reports for the year ended 31 March 2006 and for the six months ended 30 September 2006 and recommended the same to the Board for approval.

The Audit Committee has reviewed with the management and the Auditor the audited consolidated financial statements of the Company for the year ended 31 March 2007.

Executive Committee

On 2 April 2007, Mr. Kwong Jimmy Cheung Tim was appointed as a member of the Executive Committee.

The Executive Committee currently comprises all the executive directors of the Company, namely Mr. Tse Wing Chiu, Ricky (Committee Chairman), Ms. Lui Yuk Chu and Mr. Kwong Jimmy Cheung Tim. It meets as and when required between regular Board meetings of the Company, and operates as a general management committee under the direct authority of the Board. Within the parameters of authority delegated by the Board, the Executive Committee sees to the implementation of Group strategy set by the Board, monitors the Group's investment and trading performance, funding and financing requirements, and reviews the management performance.

AUDITOR'S REMUNERATION

For the year ended 31 March 2007, the Auditor received approximately HK$779,000 for audit service and approximately HK$807,000 for non-audit services related to an interim review, preliminary announcement of results, a major transaction, rights issues of shares and ongoing connected transactions.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is empowered under the Company's Bye-laws to appoint any person as director either to fill a casual vacancy on or as an addition to the Board.

A written director nomination policy was adopted by the Board in March 2006 with the intent to provide a set of guidelines for the effective functioning of the Company's director nomination process. The policy stipulates the criteria for identifying director candidates and the procedures for nomination, evaluation and assessment of candidates for directorship. The selection criteria are mainly based on their personal and professional integrity, independent mindedness, commitment to the Company, experience relevant to the Company's business as well as compliance with legal and regulatory requirements.

There was no change to the composition of the Board during the year ended 31 March 2007.

FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements of the Group. With the assistance of the Accounts Department, the directors ensure that the preparation of the financial statements of the Group are in accordance with the statutory requirements and applicable accounting standards. The directors also ensure timely publication of the financial statements of the Group.

The statement of the Auditor regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 28 to 29.

The Auditor did not report for the year ended 31 March 2007 that there were any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective system of internal control of the Group to safeguard the shareholders' investment and the Group's assets, and reviewing its effectiveness.

The Group's internal control system, including a defined management structure with limits of authority and segregation of duties and periodic review by the Board of the operational and financial reports prepared by the management or the Auditor, is designed to safeguard assets against unauthorised use or disposition, ensure maintenance of proper accounting records for provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system aims to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board has conducted a review of the effectiveness of the system of internal control and risk management of the Group for the financial year ended 31 March 2007. The Board has also engaged an external consultant to independently assess the Group's system of internal control and risk management. Recommendations have been suggested to and adopted by the Board in order to enhance the Group's system of internal control and minimise operational risk.

COMMUNICATION WITH SHAREHOLDERS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. All shareholders are welcome to the annual general meeting of the Company, at which directors of the Company will be available to answer questions from shareholders. Communication is also provided through the annual reports, interim reports, announcements and circulars issued by the Company from time to time. Shareholders may also contact the Company in writing or visit the Company's website www.easyknit.com for information about the Group and its activities.

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investments and development. During the year, there were no significant changes in the Group's principal activities.

RESULTS

The results of the Group are set out in the consolidated income statement on page 30.

The directors of the Company do not recommend the payment of a dividend.

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 17% and 66%, respectively, of the Group's purchases for the year.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 54% and 79%, respectively, of the Group's turnover for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) has a beneficial interest in the Group's five largest suppliers or customers.

SHARE CAPITAL

The details of the Company's share capital are set out in note 33 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$1,837,000 on acquisition of property, plant and equipment. The details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

PROPERTIES HELD FOR RE-DEVELOPMENT

The details of the Group's properties held for re-development are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 March 2007 by a firm of independent professional property valuers and the gain arising on change in fair value of investment properties, which had been credited directly to consolidated income statement, amounted to approximately HK$7,370,000. Details of these are set out in note 19 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

The details of the Company's principal subsidiaries at 31 March 2007 are set out in note 40 to the consolidated financial statements.

PRINCIPAL ASSOCIATES

The details of the Group's principal associates at 31 March 2007 are set out in note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 March 2007 and 2006 were as follows:

	2007	2006
	HK$'000	HK$'000
Contributed surplus	**269,306**	269,306
Accumulated profits	**745,578**	687,536
	1,014,884	956,842

Under the laws in Bermuda, the contributed surplus account of a company is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

DIRECTORS

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

Executive directors:

Tse Wing Chiu, Ricky – *President and Chief Executive Officer*
Lui Yuk Chu – *Vice President*
Kwong Jimmy Cheung Tim (appointed on 2 April 2007)

Independent non-executive directors:

Wong Sui Wah, Michael
Tsui Chun Kong
Jong Koon Sang

In accordance with the Company's Bye-law 99, Mr. Wong Sui Wah, Michael will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, has offered himself for re-election.

In accordance with the Company's Bye-law 102(B), Mr. Kwong Jimmy Cheung Tim will hold office until the forthcoming annual general meeting of the Company and, being eligible, has offered himself for re-election.

None of the directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation). The independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the following connected transactions of the Company are required to be disclosed in the annual report of the Company:

On 10 May 2004, the Company entered into an agreement (as supplemented by a supplemental letter dated 15 June 2004) (the "KPF Agreement") with Ms. Koon Po Fun ("Ms. Koon"), pursuant to which, amongst other things, the Group has agreed to purchase garments, apparel, clothing and textiles from companies (the "KPF Companies") controlled by Ms. Koon (the "KPF Transactions") for the period from 1 April 2004 to 31 March 2007 subject to respective caps. In addition, under the terms of the KPF Agreement, the Group has agreed to prepay the KPF Companies for the garments to be manufactured for the Group. Such prepayment is interest-free and repayable by the KPF Companies on demand and the maximum amount of which will not exceed 50% of the value of the relevant order. The terms of the prepayment granted by the Group to the KPF Companies are normal commercial terms which are common in the garment industry in Hong Kong.

Ms. Koon is the sister of Mr. Koon Wing Yee, a former director of the Company and Mr. Koon Wing Yee is the spouse of Ms. Lui Yuk Chu, a director of the Company. Pursuant to the Listing Rules, Ms. Koon is a connected person of the Company. The KPF Transactions constitute non-exempt continuing connected transactions of the Company under the Listing Rules and were approved by the independent shareholders at the special general meeting of the Company held on 28 July 2004. Details of the KPF Transactions are set out in the circular of the Company dated 29 June 2004.

The KPF Transactions for the period from 1 April 2006 to 31 March 2007 amounted to approximately HK$48,017,000.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors has engaged the auditor of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of other related party transactions undertaken by the Group in the normal course of business during the year ended 31 March 2007, which do not constitute connected transactions of the Company required to be disclosed under the Listing Rules, are provided under note 16 to the consolidated financial statements.

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Other than the contracts disclosed in the section heading "Directors' Interests in Contracts and Connected Transactions", there was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests and short positions of the directors and the chief executives of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Interests in the Company (long positions):

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Ms. Lui Yuk Chu *(note 1)*	Beneficiary of a trust	291,794,804	36.74%

Note 1: These shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

(b) Interests in associated corporations (long positions):

Easyknit Enterprises Holdings Limited ("Easyknit Enterprises")

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of Easyknit Enterprises
Ms. Lui Yuk Chu *(note 2)*	Beneficiary of a trust	1,410,852,520	35.93%

Note 2: These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

Wellmake Investments Limited ("Wellmake") *(note 3)*

Name of director	Capacity	Number of non-voting deferred shares held	Percentage to issued non-voting deferred shares of Wellmake
Ms. Lui Yuk Chu	*(Note 4)*	2	100%

Note 3: All the issued ordinary shares in the share capital of Wellmake which carry the voting rights were held by the Company.

Note 4: One non-voting deferred share was held by Ms. Lui Yuk Chu as beneficial owner and the other one was held by her spouse, Mr. Koon Wing Yee.

Save as disclosed above, as at 31 March 2007, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme and movements of options during the year are set out in note 34 to the consolidated financial statements.

No options were granted to, or exercised by, the directors during the year. There was no outstanding option granted to the directors at the beginning and at the end of the year.

Save as disclosed above, at no time during the year ended 31 March 2007 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, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or other body corporate nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the persons (other than the directors or the chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

Name of substantial shareholder	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Koon Wing Yee *(note 1)*	Interest of spouse	291,794,804	36.74%
Magical Profits Limited *(notes 1 & 2)*	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited *(notes 1 & 2)*	Interest of controlled corporation	291,794,804	36.74%
Trustcorp Limited *(notes 1 & 3)*	Trustee	291,794,804	36.74%
Newcorp Ltd. *(note 3)*	Interest of controlled corporation	291,794,804	36.74%
Newcorp Holdings Limited *(note 3)*	Interest of controlled corporation	291,794,804	36.74%
David Henry Christopher Hill *(note 3)*	Interest of controlled corporation	291,794,804	36.74%
David William Roberts *(note 3)*	Interest of controlled corporation	291,794,804	36.74%
Rebecca Ann Hill *(note 3)*	Interest of spouse	291,794,804	36.74%
Park Jong Yong	Beneficial owner	46,322,713	5.83%

Notes:

(1) The 291,794,804 shares relate to the same block of shares in the Company. These shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu, a director of the Company, and her family members other than her spouse). Mr. Koon Wing Yee, a former director of the Company and the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 291,794,804 shares by virtue of the SFO.

(2) Ms. Lui Yuk Chu, being a director of the Company, was also a director of Magical Profits Limited and Accumulate More Profits Limited.

(3) Trustcorp Limited was a wholly-owned subsidiary of Newcorp Ltd.. Newcorp Ltd. was wholly-owned by Newcorp Holdings Limited. Each of Mr. David Henry Christopher Hill and Mr. David William Roberts was interested in 35% of the issued share capital of Newcorp Holdings Limited. Mrs. Rebecca Ann Hill, being the spouse of Mr. David Henry Christopher Hill, was deemed to be interested in the 291,794,804 shares by virtue of the SFO.

Other than as disclosed above, as at 31 March 2007, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 March 2007.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the executive directors of the Company on the basis of their performance, experience and prevailing industry practice.

The emolument of the directors of the Company is determined by the board of directors of the Company after recommendation from the Remuneration Committee, having regard to the time commitment and responsibilities of individual directors, the Company's performance and the prevailing market conditions.

The Company has adopted a share option scheme as an incentive to the directors and eligible employees, details of the scheme are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the year, the Group made donations amounting to approximately HK$22,000.

POST BALANCE SHEET EVENTS

The details of the significant post balance sheet events are set out in note 39 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 31 March 2007 as required under the Listing Rules.

AUDITOR

A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Tse Wing Chiu, Ricky
President and Chief Executive Officer

Hong Kong, 20 July 2007

Deloitte.
德勤

TO THE SHAREHOLDERS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Easyknit International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 77, which comprise the consolidated balance sheet as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 July 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	NOTES	2007 HK$'000	2006 HK$'000
Turnover	6	**557,737**	489,715
Cost of sales		**(454,276)**	(400,355)
Gross profit		**103,461**	89,360
Other income		**14,722**	9,386
Distribution costs		**(14,526)**	(12,689)
Administrative expenses		**(50,868)**	(49,459)
Gain arising on change in fair value of investment properties		**7,370**	189,730
Gain on fair value changes of investments held for trading		**1,199**	12
Impairment loss on available-for-sale investments	8	**(121,465)**	—
Impairment loss on loans receivable		**(2,160)**	—
Impairment loss on trade and other receivables	9	**(20)**	(33,513)
Loss on disposal of available-for-sale investments		**(43,027)**	—
Loss on disposal of investment properties		**—**	(1,136)
Share of results of associates		**(4,125)**	(4,548)
Finance costs	10	**(31)**	(4,609)
(Loss) profit before taxation	11	**(109,470)**	182,534
Taxation	13	**(6,127)**	(9,683)
(Loss) profit for the year attributable to equity holders of the Company		**(115,597)**	172,851
Basic (loss) earnings per share	15	**HK$(0.260)**	HK$1.237

Easyknit International Holdings Limited

At 31 March 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	17	**17,938**	24,190
Properties held for re-development	18	**156,283**	—
Investment properties	19	**606,170**	589,700
Intangible asset	20	**921**	921
Interests in associates	21	**60,590**	62,887
Available-for-sale investments	22	**84,830**	93,987
Loans receivable	27	**5,125**	—
		931,857	771,685
Current assets			
Properties held for sale	23	**7,228**	14,426
Investments held for trading	24	**41,566**	3,600
Inventories	25	**9,866**	7,766
Trade and other receivables	26	**49,278**	72,226
Loans receivable	27	**43,255**	66,053
Bills receivable	28	**46,661**	17,220
Tax recoverable		**—**	301
Bank balances and cash	29	**343,353**	174,580
		541,207	356,172
Current liabilities			
Trade and other payables	30	**46,903**	41,754
Bills payable	31	**4,648**	4,514
Tax payable		**24,102**	24,364
Bank borrowings	32	**—**	3,819
		75,653	74,451
Net current assets		**465,554**	281,721
		1,397,411	1,053,406

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	NOTES	**2007**	2006
		HK$'000	HK$'000
Capital and reserves			
Share capital	33	**7,942**	132,367
Reserves		**1,361,236**	898,561
		1,369,178	1,030,928
Non-current liabilities			
Deferred taxation	35	**28,233**	22,478
		1,397,411	1,053,406

The consolidated financial statements on pages 30 to 77 were approved and authorised for issue by the Board of Directors on 20 July 2007 and are signed on its behalf by:

Tse Wing Chiu, Ricky
Director

Lui Yuk Chu
Director

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(note a)*	Translation reserve HK$'000	Special reserve HK$'000 *(note b)*	Contributed surplus HK$'000 *(note c)*	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000 *(note d)*	Share option reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2005	132,367	4,412	–	–	9,800	220,937	–	–	–	686,172	1,053,688
Change in fair value of available-for-sale investments	–	–	–	–	–	–	(191,630)	–	–	–	(191,630)
Share of translation reserve of associates	–	–	–	737	–	–	–	–	–	–	737
Net income (expenses) recognised directly in equity	–	–	–	737	–	–	(191,630)	–	–	–	(190,893)
Profit for the year	–	–	–	–	–	–	–	–	–	172,851	172,851
Total recognised income and expenses for the year	–	–	–	737	–	–	(191,630)	–	–	172,851	(18,042)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	1,900	–	1,900
2005 final dividend paid	–	–	–	–	–	–	–	–	–	(6,618)	(6,618)
At 31 March 2006 and 1 April 2006	132,367	4,412	–	737	9,800	220,937	(191,630)	–	1,900	852,405	1,030,928
Change in fair value of available-for-sale investments	–	–	–	–	–	–	(8,288)	–	–	–	(8,288)
Share of translation reserve of associates	–	–	–	1,828	–	–	–	–	–	–	1,828
Revaluation of leasehold properties upon transfer to investment properties	–	–	–	–	–	–	–	2,521	–	–	2,521
Net income (expenses) recognised directly in equity	–	–	–	1,828	–	–	(8,288)	2,521	–	–	(3,939)
Released on disposal of available-for-sale investments	–	–	–	–	–	–	50,263	–	–	–	50,263
Impairment loss on available-for-sale investments	–	–	–	–	–	–	121,465	–	–	–	121,465
Loss for the year	–	–	–	–	–	–	–	–	–	(115,597)	(115,597)
Total recognised income and expenses for the year	–	–	–	1,828	–	–	163,440	2,521	–	(115,597)	52,192

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(note a)*	Translation reserve HK$'000	Special reserve HK$'000 *(note b)*	Contributed surplus HK$'000 *(note c)*	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000 *(note d)*	Share option reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
Rights issue of shares at a price of HK$0.12 per rights share *(see note 33(b))*	66,184	13,237	–	–	–	–	–	–	–	–	79,421
Rights issue of shares at a price of HK$0.35 per rights share *(see note 33(c))*	5,956	202,522	–	–	–	–	–	–	–	–	208,478
Share issue expenses	–	(1,841)	–	–	–	–	–	–	–	–	(1,841)
Reduction of share capital upon capital reorganisation *(see note 33(a))*	(196,565)	–	196,565	–	–	–	–	–	–	–	–
Transfer of share option reserve to accumulated profits	–	–	–	–	–	–	–	–	(1,900)	1,900	–
At 31 March 2007	**7,942**	**218,330**	**196,565**	**2,565**	**9,800**	**220,937**	**(28,190)**	**2,521**	**–**	**738,708**	**1,369,178**

Notes:

(a) The capital reserve of the Group represents the credit arising from the reduction of the share capital of the Company in October 2006.

(b) The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital and share premium of the companies now forming the Group pursuant to the group reorganisation prior to the listing of the Company's shares in 1995.

(c) The contributed surplus of the Group represents the credit arising from the reduction of certain reserves of the Company in August 2004.

(d) The property revaluation reserve of the Group represents the gain on revaluation of certain leasehold properties of the Group as a result of transfer of these leasehold properties from property, plant and equipment to investment properties in October 2006.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
Cash flows from operating activities		
(Loss) profit before taxation	**(109,470)**	182,534
Adjustments for:		
Share of results of associates	**4,125**	4,548
Interest income	**(11,492)**	(8,387)
Interest expense	**31**	4,602
Finance charges on obligations under finance leases	**—**	7
Depreciation of property, plant and equipment	**1,510**	1,314
Impairment loss on available-for-sale investments	**121,465**	—
Impairment loss on loans receivable	**2,160**	—
Impairment loss on inventories	**1,021**	663
Impairment loss on trade and other receivables	**20**	33,513
Loss on disposal of available-for-sale investments	**43,027**	—
Loss on disposal of investment properties	**—**	1,136
Share-based payments expense	**—**	1,900
Dividend income from listed investments	**(1,275)**	(126)
Gain arising on change in fair value of investment properties	**(7,370)**	(189,730)
Gain on fair value changes of investments held for trading	**(1,199)**	(12)
Gain on disposal of investments held for trading	**(36)**	(83)
Gain on disposal of property, plant and equipment	**—**	(54)
Operating profit before movements in working capital	**42,517**	31,825
Increase in properties held for re-development	**(156,283)**	—
Decrease in properties held for sale	**7,198**	7,198
Increase in inventories	**(3,121)**	(6,006)
Decrease in loans receivable	**15,513**	5,822
Increase in investments held for trading	**(36,731)**	(3,505)
Decrease in trade and other receivables	**22,928**	90,474
(Increase) decrease in bills receivable	**(29,441)**	27,705
Increase in trade and other payables	**5,149**	4,636
Increase in bills payable	**134**	2,950
Cash (used in) from operations	**(132,137)**	161,099
Hong Kong Profits Tax paid	**(634)**	(74)
Hong Kong Profits Tax refunded	**301**	1,743
Net cash (used in) from operating activities	**(132,470)**	162,768

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
Cash flows from investing activities		
Interest received	**11,492**	8,387
Dividend received from listed investments	**1,275**	126
Proceeds from disposal of available-for-sale investments	**29,577**	—
Proceeds from disposal of investment properties	**—**	218,864
Proceeds from disposal of property, plant and equipment	**—**	62
Purchase of available-for-sale investments	**(21,472)**	(41,587)
Purchase of property, plant and equipment	**(1,837)**	(1,077)
Capital contribution to associates	**—**	(50,969)
Payment of consideration repayable on disposal of subsidiaries	**—**	(11,120)
Net cash from investing activities	**19,035**	122,686
Cash flows from financing activities		
Proceeds from issue of new shares	**287,899**	—
Repayment of bank borrowings	**(30,007)**	(337,005)
Share issue expenses paid	**(1,841)**	—
Interest paid	**(31)**	(4,602)
Bank borrowings raised	**26,188**	153,475
Dividends paid	**—**	(6,618)
Repayment of obligations under finance leases	**—**	(18)
Finance charges on obligations under finance leases paid	**—**	(7)
Net cash from (used in) financing activities	**282,208**	(194,775)
Net increase in cash and cash equivalents	**168,773**	90,679
Cash and cash equivalents at beginning of the year	**174,580**	83,901
Cash and cash equivalents at end of the year, represented by bank balances and cash	**343,353**	174,580

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investments and development.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing cost [2]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [5]
HK(IFRIC) – INT 11	HKFRS 2 - Group and treasury share transactions [6]
HK(IFRIC) – INT 12	Service concession arrangements [7]

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal ordinary course of business, net of discounts.

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

Service income is recognised when services are rendered.

Revenue from sale of developed properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Property, plant and equipment

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

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's leasehold land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of these properties is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment – *continued*

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

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

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Properties held for re-development

Costs relating to the re-development of the properties, including purchase costs of the properties for re-development and re-development costs are capitalised and included as properties held for re-development until such time they are completed.

Properties held for sale

Properties held for sale are completed properties and are stated at lower of cost and net realisable value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method.

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Investments held for trading

At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit and loss in subsequent periods.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities other than financial liabilities at fair value through profit or loss ("Other financial liabilities"). The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity – *continued*

Other financial liabilities

Other financial liabilities including bank borrowings, trade and other payables and bills payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

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

Intangible assets

On initial recognition, intangible assets with indefinite useful lives including club debenture acquired separately are recognised at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment (other than intangible assets)

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

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Retirement benefit scheme

Payments to defined contribution retirement benefit scheme are charged as expenses when employees have rendered services entitling them to the contribution.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management had made the following estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment allowance on loans receivable

The amount of the impairment of loans receivable is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. A considerable amount of judgment is required in estimating the expected discounted future cash flows. If the future estimated cash flows are less than carrying amounts of loans receivables, additional allowances may be required.

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Currency risk

The Group has currency exposure as majority of its sales are denominated in U.S. dollars which are linked up with Hong Kong dollars. On the other hand, the expenditures including sourcing of garments are mainly denominated in Hong Kong. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In view of nature of garment business, the Group has targeted on the market of cotton-based knitted garments for infants, children and women. The Group has concentration of credit risk as the Group's trade receivables as at 31 March 2007 of approximately HK$19,050,000 was derived from a few major customers. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up action and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts.

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

5. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Price risk

The Group's available-for-sale investments and investments held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Interest rate risk

The Group has exposed to cash flow interest rate risk through the impact of the rate changes on floating interest rate loans receivable. The management monitors interest rate exposure on loans receivable and will consider not to advance any loans with floating interest rate when significant interest rate exposure is anticipated.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of listed equity investments are determined with reference to quoted market bid prices; and
- the fair value of loans and receivables and other financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods and properties sold, net of returns, and services rendered by the Group and rental income received and receivable during the year. An analysis of the Group's turnover is as follows:

	2007	2006
	HK$'000	HK$'000
Sales of goods	**523,188**	458,666
Rental income	**26,138**	22,432
Sales of properties	**8,133**	8,349
Building management fee income	**278**	268
	557,737	489,715

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five main operating divisions — garment sourcing and exporting, property investments, property development, investment in securities and loan financing. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Year 2007

(i) Income statement

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External	523,188	26,416	8,133	—	—	—	557,737
Inter-segment	—	2,948	—	—	—	(2,948)	—
Total	523,188	29,364	8,133	—	—	(2,948)	557,737
RESULT							
Segment result	23,037	33,073	182	(161,981)	580	(2,726)	(107,835)
Unallocated corporate income							9,192
Unallocated corporate expenses							(6,671)
Share of results of associates							(4,125)
Finance costs							(31)
Loss before taxation							(109,470)
Taxation							(6,127)
Loss for the year							(115,597)

Note: Inter-segment transactions are charged at prevailing market prices.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2007 – *continued*

(ii) Balance sheet

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	105,156	608,292	164,155	126,396	49,052	1,053,051
Interests in associates						60,590
Unallocated corporate assets						359,423
Consolidated total assets						1,473,064
LIABILITIES						
Segment liabilities	35,628	14,913	502	—	25	51,068
Unallocated corporate liabilities						52,818
Consolidated total liabilities						103,886

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2007 – *continued*

(iii) Other information

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Consolidated HK$'000
Capital additions	1,815	22	—	—	—	1,837
Depreciation of property, plant and equipment	1,033	477	—	—	—	1,510
Impairment loss on trade and other receivables	—	20	—	—	—	20
Impairment loss on loans receivable	—	—	—	—	2,160	2,160
Impairment loss on available-for-sale investments	—	—	—	121,465	—	121,465
Impairment loss on inventories	1,021	—	—	—	—	1,021
Loss on disposal of available-for-sale investments	—	—	—	43,027	—	43,027

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2006

(i) Income statement

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External	458,666	22,700	8,349	—	—	—	489,715
Inter-segment	—	3,311	—	—	—	(3,311)	—
Total	458,666	26,011	8,349	—	—	(3,311)	489,715
RESULT							
Segment result	(20,235)	211,785	699	95	4,219	(3,765)	192,798
Unallocated corporate income							3,804
Unallocated corporate expenses							(4,911)
Share of results of associates							(4,548)
Finance costs							(4,609)
Profit before taxation							182,534
Taxation							(9,683)
Profit for the year							172,851

Note: Inter-segment transactions are charged at prevailing market prices.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2006 – *continued*

(ii) Balance sheet

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	96,665	591,259	14,426	97,587	66,826	866,763
Interests in associates						62,887
Unallocated corporate assets						198,207
Consolidated total assets						1,127,857
LIABILITIES						
Segment liabilities	32,572	12,682	302	—	22	45,578
Unallocated corporate liabilities						51,351
Consolidated total liabilities						96,929

(iii) Other information

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Consolidated HK$'000
Capital additions	1,036	41	—	—	—	1,077
Depreciation of property, plant and equipment	782	532	—	—	—	1,314
Impairment loss on trade and other receivables	33,315	198	—	—	—	33,513
Impairment loss on inventories	663	—	—	—	—	663

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Geographical segments

An analysis of the Group's turnover by geographical market is as follows:

	Turnover	
	2007	2006
	HK$'000	HK$'000
Hong Kong	**34,549**	31,049
The People's Republic of China, excluding Hong Kong (the "PRC")	**51**	—
United States of America ("USA")	**468,779**	422,552
Europe	**49,725**	27,339
Mexico	**4,633**	8,166
Canada	**—**	609
	557,737	489,715

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,032,588**	844,126	**1,757**	1,064
USA	**20,463**	22,637	**80**	13
	1,053,051	866,763	**1,837**	1,077

8. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 March 2007, impairment loss on available-for-sale investments of approximately HK$121,465,000 (2006: nil) was recognised as a result of continuous decline in market value of certain of the Group's listed equity investments.

9. IMPAIRMENT LOSS ON TRADE AND OTHER RECEIVABLES

During the year ended 31 March 2006, impairment loss on trade and other receivables of approximately HK$33,513,000 (2007: HK$20,000) was recognised of which impairment loss amounting to approximately HK$33,315,000 (2007: nil) was recognised in respect of the deposits to a supplier paid by the Group as a result of the voluntary liquidation of such supplier.

10. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	**31**	4,602
– obligations under finance leases	**—**	7
	31	4,609

11. (LOSS) PROFIT BEFORE TAXATION

	2007 HK$'000	2006 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 12(a))*	**4,014**	5,695
Other staff costs, including retirement benefits costs	**26,532**	19,557
Share-based payments expense	**—**	1,900
Total staff costs	**30,546**	27,152
Depreciation of property, plant and equipment		
– owned assets	**1,510**	1,296
– assets held under finance leases	**—**	18
	1,510	1,314
Auditor's remuneration:		
– current year	**779**	689
– underprovision in prior years	**85**	43
Cost of inventories recognised as an expense	**446,057**	392,494
Cost of properties sold	**7,198**	7,198
Impairment loss on inventories	**1,021**	663
Share of tax expense of associates (included in share of results of associates)	**565**	—
and after crediting:		
Dividend income from listed investments	**1,275**	126
Gain on disposal of investments held for trading	**36**	83
Gain on disposal of property, plant and equipment	**—**	54
Interest income	**11,492**	8,387

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

Details of emoluments to the directors of the Company for the year ended 31 March 2007 are as follows:

	Executive director		Independent non-executive director			
	Tse Wing Chiu, Ricky	Lui Yuk Chu	Wong Sui Wah, Michael	Jong Koon Sang	Tsui Chun Kong	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	—	—	100	100	100	300
Other emoluments						
– salaries and other benefits	1,200	2,442	—	—	—	3,642
– retirement benefits schemes contributions	12	60	—	—	—	72
Total directors' emoluments	1,212	2,502	100	100	100	4,014

Details of emoluments to the directors of the Company for the year ended 31 March 2006 are as follows:

	Executive director				Independent non-executive director			
	Tse Wing Chiu, Ricky	Lui Yuk Chu	Koon Wing Yee*	Tsang Yiu Kai*	Wong Sui Wah, Michael	Jong Koon Sang	Tsui Chun Kong	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	—	—	—	—	100	100	100	300
Other emoluments								
– salaries and other benefits	—	1,927	2,367	900	—	—	—	5,194
– retirement benefits schemes contributions	—	60	96	45	—	—	—	201
Total directors' emoluments	—	1,987	2,463	945	100	100	100	5,695

* The directors resigned during the year ended 31 March 2006.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

(b) Information regarding employees' emoluments

The five highest paid individuals of the Group during the year included two (2006: three) executive directors. The emoluments of the remaining three (2006: two) highest paid individuals, not being directors, are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**3,128**	1,764

The emoluments of these employees fall within the following bands:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**2**	1
	3	2

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss in office. In addition, during both years, no director waived any emoluments.

13. TAXATION

	2007	2006
	HK$'000	HK$'000
The charge comprises:		
Current tax – Hong Kong Profits Tax:		
Current year	**374**	710
(Over) underprovision in prior years	**(2)**	8
	372	718
Deferred taxation *(note 35)*	**5,755**	8,965
Tax charge attributable to the Company and its subsidiaries	**6,127**	9,683

13. TAXATION – *continued*

Taxation for the year can be reconciled to the results per consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000
(Loss) profit before taxation	**(109,470)**	182,534
Tax (credit) charge of Hong Kong Profits Tax at 17.5% (2006: 17.5%)	**(19,157)**	31,943
Tax effect of expenses not deductible for tax purpose	**29,972**	1,367
Tax effect of income not taxable for tax purpose	**(3,342)**	(6,320)
Tax effect of share of results of associates	**722**	796
Tax effect of tax losses not recognised	**1,964**	4,526
Tax effect of utilisation of tax losses previously not recognised	**(4,309)**	(19,727)
Tax effect of other deductible temporary differences not recognised	**—**	(2,958)
(Over)underprovision in prior years	**(2)**	8
Others	**279**	48
Taxation for the year	**6,127**	9,683

14. DIVIDEND

	2007 HK$'000	2006 HK$'000
Final dividend paid for 2006 of nil HK cent (2005: 0.5 HK cent) per share	**—**	6,618

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2007.

15. BASIC (LOSS) EARNINGS PER SHARE

The calculations of the basic (loss) earnings per share are based on the following data:

	2007 HK$'000	2006 HK$'000
(Loss) earnings for the purposes of calculating basic (loss) earnings per share	**(115,597)**	172,851

	2007	2006
Number of shares		
Weighted average number of shares for the purposes of calculating basic (loss) earnings per share	**444,167,875**	139,702,001

The denominators for the purposes of calculating basic earnings per share in 2006 have been adjusted to reflect the consolidations of shares on the basis that ten shares were consolidated into one share, the subdivision of shares on the basis that one share was subdivided into one hundred shares and the rights issue of shares during the year ended 31 March 2007.

No diluted (loss) earnings per share is presented in both years as the exercise price of the Company's outstanding share options was higher than the average market price in both years.

16. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

(a) During the year, the Group had the following transactions with related parties/persons deemed to be "connected persons" by the Stock Exchange, being entities controlled by certain relatives of Mr. Koon Wing Yee, a former director of the Company, and his spouse, Ms. Lui Yuk Chu, a director of the Company:

	2007	2006
	HK$'000	HK$'000
Purchases of garments	**48,017**	135,420
Rental income	**601**	472

At the balance sheet date, amounts due from these entities comprise:

	2007	2006
	HK$'000	HK$'000
Trade receivables	**—**	16

The Group, its substantial shareholders and directors of the Company neither control these entities, nor, other than having significant business transactions with these entities, exercise significant influence over these entities in making financial and operating decisions.

(b) During the year, the Group provided administrative service to Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), an associate of the Group and a company in which Mr. Koon Wing Yee, a former director of the Company, and Ms. Lui Yuk Chu, a director of the Company, have beneficial interests, and received service income of HK$240,000 (2006: HK$240,000) from that company.

(c) During the year ended 31 March 2006, an impairment loss on trade and other receivables of HK$33,315,000 (2007: nil) was recognised by the Group in respect of the trade deposits to a company controlled by Mr. Louie Tsz Chung paid by the Group as a result of the voluntary liquidation of such company. Mr. Louie Tsz Chung is the nephew of Ms. Lui Yuk Chu, a director of the Company.

In addition, the Group also terminated the purchase agreement (as supplemented by a supplemental letter dated 15 June 2004) entered into with Mr. Louie Tsz Chung as a result of the voluntary liquidation of the company controlled by Mr. Louie Tsz Chung during that year.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**8,730**	8,325

The remuneration of directors and key executives are determined by the remuneration committee and the executive directors, respectively, having regard to the performance of individuals and market trends.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000 *(note a)*	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION				
At 1 April 2005	41,384	14,616	2,293	58,293
Additions	—	281	796	1,077
Disposals	—	(2,032)	(610)	(2,642)
At 31 March 2006 and 1 April 2006	41,384	12,865	2,479	56,728
Additions	—	269	1,568	1,837
Disposals	—	(16)	—	(16)
Transferred to investment properties *(note b)*	(9,065)	—	—	(9,065)
At 31 March 2007	**32,319**	**13,118**	**4,047**	**49,484**
Comprising:				
At 31 March 2006				
At cost	12,384	12,865	2,479	27,728
At valuation - 1995	29,000	—	—	29,000
	41,384	12,865	2,479	56,728
At 31 March 2007				
At cost	3,319	13,118	4,047	20,484
At valuation – 1995	29,000	—	—	29,000
	32,319	13,118	4,047	49,484
ACCUMULATED DEPRECIATION				
At 1 April 2005	18,975	13,721	1,162	33,858
Provided for the year	530	422	362	1,314
Eliminated on disposals	—	(2,025)	(609)	(2,634)
At 31 March 2006 and 1 April 2006	19,505	12,118	915	32,538
Provided for the year	466	358	686	1,510
Eliminated on disposals	—	(16)	—	(16)
Eliminated on transfer to investment properties	(2,486)	—	—	(2,486)
At 31 March 2007	**17,485**	**12,460**	**1,601**	**31,546**
CARRYING VALUES				
At 31 March 2007	**14,834**	**658**	**2,446**	**17,938**
At 31 March 2006	21,879	747	1,564	24,190

17. PROPERTY, PLANT AND EQUIPMENT – *continued*

Notes:

(a) Owner-occupied leasehold land situated in Hong Kong is included in property, plant and equipment as the allocation between the land and buildings elements cannot be made reliably.

(b) During the year ended 31 March 2007, the Group rented out certain of its leasehold properties to independent third parties for rental income. When there is a change in use, upon the transfer from property, plant and equipment to investment properties, these properties were revalued at fair value with a gain on revaluation of approximately HK$2,521,000, which has been credited to the property revaluation reserve.

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

Leasehold properties	Over the duration of the leases or fifty years, whichever is the shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

The carrying value of leasehold properties shown above comprises:

	2007	2006
	HK$'000	HK$'000
Properties held on medium-term lease in Hong Kong	**14,834**	21,879

The valuation of certain leasehold properties was carried out by Jones Lang Wootton Ltd., a firm of independent professional property valuers, at 31 October 1994 on an open market value vacant possession basis. Had all these leasehold properties been carried at cost less accumulated depreciation, their carrying value would have been stated at HK$18,700,000 (2006: HK$26,637,000).

18. PROPERTIES HELD FOR RE-DEVELOPMENT

On 22 July 2006, the Group had acquired certain properties situated in Victory Avenue, Kowloon, Hong Kong (the "Building"), for a consideration of HK$53,680,000, by way of acquisition of the entire issued capital of Happy Light Investments Limited ("Happy Light"). This transaction has been reflected as a purchase of the Building. Other assets and liabilities acquired from Happy Light were insignificant.

19. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2005	619,970
Increase in fair value recognised in the consolidated income statement	189,730
Disposed of during the year	(220,000)
At 31 March 2006 and 1 April 2006	589,700
Transferred from leasehold properties	9,100
Increase in fair value recognised in the consolidated income statement	7,370
At 31 March 2007	**606,170**

The fair value of the Group's investment properties at 31 March 2007 has been arrived at on the basis of a valuation carried out on that day by Messrs. Knight Frank, independent qualified professional property valuers not connected with the Group. Messrs. Knight Frank are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications. The valuation, which conforms to The Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transactions prices for similar properties.

All the Group's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

20. INTANGIBLE ASSET

The intangible asset represents club debenture with indefinite useful life and is carried at cost.

The club debenture is considered by the management of the Group as having an indefinite useful life because there is no contractual life for the club debenture. There is no indication that the club debenture may be impaired as a result of the impairment test carried out by the management of the Group with reference to the second-hand market price of the club debenture at the balance sheet date.

21. INTERESTS IN ASSOCIATES

	2007 HK$'000	2006 HK$'000
Listed securities in Hong Kong, at cost	**75,676**	75,676
Share of post-acquisition losses	**(17,651)**	(13,526)
Share of translation reserve	**2,565**	737
	60,590	62,887
Market value of listed securities	**3,752,868**	239,845

The summarised financial information in respect of the Group's associates is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	**204,879**	185,541
Total liabilities	**(36,245)**	(10,513)
Net assets	**168,634**	175,028
Group's share of net assets of associates	**60,590**	62,887
Turnover	**75,964**	58,039
Loss for the year	**(11,481)**	(32,857)
Group's share of results of associates for the year	**(4,125)**	(11,806)
Realised gain on disposal of Po Cheong International Enterprises Limited to Easyknit Enterprises *(note)*	**—**	7,258
Total share of results of associates for the year	**(4,125)**	(4,548)

Note: The amount represented the unrealised gain on disposal of entire issued shares of Po Cheong International Enterprises Limited ("Po Cheong"), a former wholly-owned subsidiary of the Company, to a wholly-owned subsidiary of Easyknit Enterprises, during the year ended 31 March 2005.

During the year ended 31 March 2006, the whole amount of goodwill arising from acquisition of Po Cheong by Easyknit Enterprises was fully impaired, as a result, the unrealised gain on disposal of Po Cheong to Easyknit Enterprises amounting to HK$7,258,000 was recognised as realised gain in the consolidated income statement of the Company for the year ended 31 March 2006 and the amount was included in the share of results of associates for that year.

21. INTERESTS IN ASSOCIATES – *continued*

Particulars of the Group's principal associates as at 31 March 2007 are as follows:

Name of associate	Form of business structure	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital/paid up registered capital/stated capital held by the Group	Nature of business
Easyknit Enterprises	Incorporated	Bermuda	Hong Kong	Ordinary	35.93%	Investment holding
Easyknit (Mauritius) Limited	Establishment	Republic of Mauritius	Hong Kong	N/A	35.93%*	Investment holding
Po Cheong International Enterprises Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	Investment holding
Tat Cheong International (HK) Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	Investment holding
東莞永耀漂染有限公司 ("Wing Yiu") **	Establishment	PRC	PRC	N/A	35.93%*	Bleaching and dyeing
永義紡織（河源）有限公司 ("He Yuan") ***	Establishment	PRC	PRC	N/A	35.93%*	Knitting
永義製衣（湖州）有限公司 ("Huzhou Garment")****	Establishment	PRC	PRC	N/A	35.93%*	Garment manufacturing
永義紡織（湖州）有限公司 ("Huzhou Knitting")*****	Establishment	PRC	PRC	N/A	35.93%*	Knitting
永義漂染（湖州）有限公司 ("Huzhou Bleaching and Dyeing")******	Establishment	PRC	PRC	N/A	35.93%*	Bleaching and dyeing

* *These companies are wholly-owned subsidiaries of Easyknit Enterprises.*

** *Wing Yiu is a wholly foreign owned enterprise established in the PRC, to be operated for 10 years up to 20 August 2011.*

*** *He Yuan is a wholly foreign owned enterprise established in the PRC, to be operated for 15 years up to 7 March 2019.*

**** *Huzhou Garment is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 14 December 2054.*

***** *Huzhou Knitting is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 5 January 2055.*

****** *Huzhou Bleaching and Dyeing is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 4 January 2055.*

The above table lists the associates of the Group, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other associates would in the opinion of the directors, result in particulars of excessive length.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2007 HK$'000	2006 HK$'000
Equity securities listed in Hong Kong at market value	**84,830**	93,987

23. PROPERTIES HELD FOR SALE

The properties held for sales are situated in Hong Kong and are held under medium-term leases. They are stated at cost at the balance sheet date.

24. INVESTMENTS HELD FOR TRADING

	2007 HK$'000	2006 HK$'000
Equity securities listed in Hong Kong at market value	**41,566**	3,600

25. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	**182**	—
Work in progress	**1,928**	—
Finished goods	**7,756**	7,766
	9,866	7,766

26. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$'000	HK$'000
Trade receivables	**19,050**	24,299
Deposits to suppliers	**25,100**	42,585
Other receivables	**5,128**	5,342
	49,278	72,226

The Group allows an average credit period ranged from 30 to 90 days to its trade customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	2007	2006
	HK$'000	HK$'000
0 - 60 days	**17,919**	22,818
61 - 90 days	**533**	1,003
Over 90 days	**598**	478
	19,050	24,299

27. LOANS RECEIVABLE

	2007	2006
	HK$'000	HK$'000
Amount secured by property interests and bearing interest at 9% (2006: 6%) per annum	**2,297**	7,000
Unsecured amount		
– guaranteed by outside parties and bearing interest at 4% to the bank's Hong Kong dollars best lending rate plus 2% (2006: 3% to Hong Kong Interbank Offer Rate ("HIBOR") plus 2.125%) per annum	**28,083**	59,003
– bearing interest at HIBOR plus 2.125% (2006: 10%) per annum	**18,000**	50
	48,380	66,053
Less: Amount due from borrowers within one year shown under current assets	**(43,255)**	(66,053)
Amount due from borrowers after one year but not more than two years shown under non-current assets	**5,125**	—

28. BILLS RECEIVABLE

Bills receivable included discounted bills with recourse of HK$3,117,000 (2007: nil) at 31 March 2006. The maturity date of the discounted bills with recourse was within three months from inception date of the discounted bills.

29. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 1.75% to 4.20% (2006: 1.50% to 4.19%) per annum.

30. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$29,084,000 (2006: HK$26,163,000). The aged analysis of trade payables at the balance sheet date is as follows:

	2007	2006
	HK$'000	HK$'000
0 - 60 days	**28,927**	26,009
61 - 90 days	**2**	2
Over 90 days	**155**	152
	29,084	26,163

31. BILLS PAYABLE

At the balance sheet date, the bills payable is aged within 30 days.

32. BANK BORROWINGS

	2007	2006
	HK$'000	HK$'000
Discounted bills with recourse	—	3,117
Import loans	—	702
	—	3,819

At the balance sheet date, the Group's bank borrowings were repayable as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	—	3,819

All of the Group's bank borrowings were at variable-rate and the range of effective interest rates of the Group's bank borrowings were 0.8% per annum over HIBOR to 1% per annum over the bank's Hong Kong dollars best lending rate in 2006.

The above bank borrowings were secured by certain leasehold properties and investment properties of the Group in 2006 (see note 36).

The maturity date of the discounted bills with recourse was within three months from inception date of the discounted bills.

The Group's bank borrowings that were denominated in currency other than the functional currency, are set out below:

	2007	2006
	HK$'000	HK$'000
U.S. dollars	—	265

33. SHARE CAPITAL

	Notes	Nominal value per share HK$	Number of shares	Amount HK$'000
Authorised:				
At 1 April 2005, 31 March 2006 and 1 April 2006		0.10	10,000,000,000	1,000,000
Consolidation of shares	(a)		(9,000,000,000)	—
Subdivision of shares	(a)		99,000,000,000	—
At 31 March 2007		**0.01**	**100,000,000,000**	**1,000,000**
Issued and fully paid:				
At 1 April 2005, 31 March 2006 and 1 April 2006		0.10	1,323,673,386	132,367
Rights issue of shares at a price of HK$0.12 per rights share	(b)	0.10	661,836,693	66,184
Consolidation of shares	(a)		(1,786,959,072)	—
Subdivision of shares and reduction of share capital	(a)		—	(196,565)
Rights issue of shares at a price of HK$0.35 per rights share	(c)	0.01	595,653,021	5,956
At 31 March 2007		**0.01**	**794,204,028**	**7,942**

Notes:

(a) As announced by the Company on 30 August 2006, the Company proposed to effect (i) a share consolidation (the "Share Consolidation") pursuant to which every ten issued and unissued then existing shares of HK$0.10 each were consolidated into one consolidated share of HK$1.00 each ("Consolidated Share"); (ii) reduction of par value of each Consolidated Share from HK$1.00 each to HK$0.01 each by cancelling HK$0.99 paid up share capital for each Consolidated Share in issue, subdivision of each unissued Consolidated Share with par value of HK$1.00 each into 100 new shares with par value of HK$0.01 each and transfer of credit arising therefrom with the amount of approximately HK$196,565,000 to the capital reserve account (the "Capital Reduction", together with the Share Consolidation, collectively referred to the "Capital Reorganisation"). Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 22 September 2006. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 16 October 2006. The Capital Reorganisation became effective on 17 October 2006.

(b) 661,836,693 rights shares of HK$0.10 each were allotted on 24 April 2006 at a subscription price of HK$0.12 per rights share to the shareholders of the Company in the proportion of one rights share for every two existing shares then held. The Company raised approximately HK$78,919,000 (net of directly attributable expenses of approximately HK$502,000), which was used as partial payment for acquisition of properties at Victory Avenue. All shares issued rank pari passu with the then existing shares in issue in all respects.

(c) 595,653,021 rights shares of HK$0.01 each were allotted on 3 November 2006 at a subscription price of HK$0.35 per rights share to the shareholders of the Company in the proportion of three rights shares for every existing share then held. The Company raised approximately HK$207,139,000 (net of directly attributable expenses of approximately HK$1,339,000), which will be used to expand the Group's property portfolio and for general working capital purpose. All shares issued rank pari passu with the then existing shares in issue in all respects.

34. SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") approved at the special general meeting of the Company held on 18 February 2002 (the "Adoption Date"). Under the Scheme the directors of the Company may at their absolute discretion grant options to any employee(s) including executive or non-executive directors of the Group or associated companies, controlling shareholders, business partners, joint venture partners, contractors, agents, representatives, suppliers, customers, landlords, tenants, advisers or consultants of the Group (including any company controlled by any of the above persons) to subscribe for shares in the Company.

The Scheme is for the primary purpose of attracting, retaining and motivating talented employees, providing participants of the Scheme with opportunity to acquire proprietary interests in the Company and encouraging participants as incentives to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole and as rewards for the participants' contribution or potential contribution to the Group. The Scheme will expire on 18 February 2012.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of the Company must not exceed 10% of the shares in issue on the Adoption Date. The overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

Each grant of options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the approval of the independent non-executive directors of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value, based on the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant, in excess of HK$5,000,000, such further grant of options shall be subject to shareholders' approval with the connected persons of the Company abstaining from voting.

Subject to the aforesaid, the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the limit shall be subject to shareholders' approval with such grantee and his associates abstaining from voting.

The offer of the grant of options must be accepted within 30 days from the date of offer with the payment of a nominal consideration of HK$1. The exercise period of the share options is determined by the directors of the Company and shall not expire later than ten years from the date of offer. The subscription price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer. Unless otherwise determined by the directors of the Company, there is no minimum period for which an option must be held before it can be exercised.

34. SHARE OPTION SCHEME – *continued*

A summary of the movements of the Company's share options during the year ended 31 March 2007 is as follows:

				Number of share options			
Grantee	Date of grant	Exercise period	Exercise price	At 1 April 2006	Adjustments*	Lapsed during the year	At 31 March 2007
			HK$				
Employees	2 March 2006	2 March 2006 to 1 September 2006	0.1418	132,360,000	(132,360,000)	—	—
			0.1404*	—	133,683,000	(133,683,000)	—

A summary of the movements of the Company's share options during the year ended 31 March 2006 is as follows:

				Number of share options		
Grantee	Date of grant	Exercise period	Exercise price	At 1 April 2005	Granted during the year	At 31 March 2006
			HK$			
Employees	2 March 2006	2 March 2006 to 1 September 2006	0.1418	—	132,360,000	132,360,000

No share options were exercised or cancelled during both years.

The Company received notional consideration for options granted during the year ended 31 March 2006.

* The number of share options and the corresponding exercise price have been adjusted as a result of the rights issue of shares of the Company in April 2006.

Notes:

(1) The share options have no vesting period and are exercisable from the date of grant.

(2) The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the share capital of the Company.

(3) The share price at grant date of options represents the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the trading day immediately preceding the date of offer of the options.

34. SHARE OPTION SCHEME – *continued*

The fair value of share options granted during the year ended 31 March 2006 was calculated by using the Black-Scholes option pricing model. The assumptions used were as follows:

Date of grant	2 March 2006
Weighted average share price	HK$0.1278
Exercise price	HK$0.1418
Expected life of options	0.5 years
Expected volatility	46.42%
Expected dividend yield	3.73%
Risk-free interest rate	5.0%
Estimated fair value of option at grant date	HK$0.0144
Closing share price at grant date (note 3 per above)	HK$0.1340

Notes:

(i) The volatility measured at the standard deviation of expected share price returns was based on a statistical analysis of weekly share prices over thirty weeks immediately preceding the grant date.

(ii) The above calculation was based on the assumption that there was no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

35. DEFERRED TAXATION

Major deferred tax liabilities and assets recognised and movements thereon are as follows:

	Accelerated tax depreciation HK$'000	Investment properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2005	258	22,203	(8,948)	13,513
Charge (credit) to consolidated income statement	132	21,680	(12,847)	8,965
At 31 March 2006 and 1 April 2006	390	43,883	(21,795)	22,478
(Credit) charge to consolidated income statement	(66)	1,814	4,007	5,755
At 31 March 2007	**324**	**45,697**	**(17,788)**	**28,233**

For the purposes of balance sheet presentation, the above deferred tax liabilities and assets have been offset.

At 31 March 2007, the Group has unused tax losses of HK$212,028,000 (2006: HK$248,324,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$101,646,000 (2006: HK$124,543,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$110,382,000 (2006: HK$123,781,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except the losses of HK$45,153,000 (2006: HK$36,131,000) which will expire as follows:

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Year of expiry		
2022	**1,821**	1,821
2023	**2,163**	2,163
2024	**11,225**	11,225
2025	**13,272**	13,272
2026	**7,650**	7,650
2027	**9,022**	—
	45,153	36,131

36. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to banks to secure credit facilities granted to the Group:

	2007 HK$'000	2006 HK$'000
Investment properties	131,000	588,000
Leasehold properties	—	9,116
	131,000	597,116

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2007 HK$'000	2006 HK$'000
Minimum lease payments recognised in the consolidated income statement during the year	3,258	2,959

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	1,896	2,487
In the second to fifth year inclusive	1,591	1,400
	3,487	3,887

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for terms of two to three years.

Under the leases entered into by the Group, the lease payments are fixed and no arrangements have been entered into for contingent rental payments.

37. OPERATING LEASE ARRANGEMENTS – *continued*

The Group as lessor

	2007	2006
	HK$'000	HK$'000
Property rental income earned during the year	**26,138**	22,432
Less: Outgoings	**(753)**	(679)
Net rental income	**25,385**	21,753

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007	2006
	HK$'000	HK$'000
Within one year	**25,445**	14,646
In the second to fifth year inclusive	**24,744**	8,388
	50,189	23,034

Under the leases entered into by the Group, the rental payments are fixed and no arrangements have been entered into for contingent rental payments. The properties held have committed tenants for terms of one to three years.

38. RETIREMENT BENEFITS SCHEMES

The Group had defined contribution retirement scheme (the "Retirement Scheme") for its employees and the assets of the Retirement Scheme are held under provident funds managed by independent trustees. With effect from 1 December 2000, the Retirement Scheme has become a "Top Up" scheme to supplement the minimum benefit under the mandatory provident fund scheme (the "MPF Scheme") for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

38. RETIREMENT BENEFITS SCHEMES – *continued*

Employees of the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The aggregate employers' contributions which have been dealt with in the consolidated income statement for the year ended 31 March 2007 amounted to approximately HK$753,000 (2006: HK$795,000).

At the balance sheet date, the total amount of forfeited contributions available to reduce the contributions payable in the future years was insignificant.

39. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 March 2007:

(a) As announced by the Company on 17 April 2007, the Group completed the acquisition of certain units at Ground Floor, No. 1A and 1st Floor, No.1 of Victory Avenue, Kowloon, Hong Kong pursuant to the assignments entered into between the Group and the vendors of these units at a total consideration of HK$12,880,000.

(b) As announced by the Company on 27 June 2007, the Group disposed of its investment property known as Ground Floor and cockloft, No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong at a consideration of HK$92,800,000. The transaction will be completed by September 2007. The gain on disposal of the investment property will be approximately HK$19,200,000 (before selling expenses).

(c) As jointly announced by the Company and Easyknit Enterprises, an associate of the Group on 17 July 2007, Easyknit Enterprises, Race Merger, Inc., a wholly-owned subsidiary of Easyknit Enterprises, and Wits Basin Precious Minerals Inc. ("Wits Basin"), have entered into an agreement and a plan of merger and reorganisation dated 20 April 2007, as amended by an agreement supplemental thereto dated 21 May 2007 (the "Merger Agreement"). Pursuant to the Merger Agreement, Easyknit Enterprises has to issue up to 3,345,286,315 shares of Easyknit Enterprises as a consideration for the merger of Race Merger, Inc. with and into Wits Basin (the "Merger"). Wits Basin will be the surviving entity and the wholly-owned subsidiary of Easyknit Enterprises. Therefore, the Merger will lead to a dilution of the Company's shareholding in Easyknit Enterprises from approximately 35.93% to approximately 19.40%. The Merger is subject to, among others, the approval of the shareholders of Easyknit Enterprises at special general meeting.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Cheong Ko Investment Company Limited	Hong Kong	Ordinary HK$2 (Non-voting preferred HK$10,000)*	—	100%	Property holding
Easyknit BVI Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100%	—	Investment holding
Easyknit International Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	Investment holding
Easyknit International Trading Company Limited	Hong Kong	Ordinary HK$2	—	100%	Trading of garments
Easyknit Properties Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US$1,000	100%	—	Investment holding
Easyknit Properties Management Limited	Hong Kong	Ordinary HK$10,000	—	100%	Property management
Easyknit Trading Company Limited	Hong Kong	Ordinary HK$2	—	100%	Trading of garments
Golden Top Properties Limited	Hong Kong	Ordinary HK$2	—	100%	Property holding
Grand Profit Development Limited	Hong Kong	Ordinary HK$2	—	100%	Trading of garments
Happy Light Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Property development
Janson Properties Limited	Hong Kong	Ordinary HK$2	—	100%	Property holding
Landmark Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	Investment holding

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Mark Profit Development Limited	Hong Kong	Ordinary HK$2	—	100%	Property holding and property development
Mary Mac Apparel Inc.	USA	Common stock US$200,000	—	100%	Garment distribution
Planetic International Limited	Hong Kong	Ordinary HK$2	—	100%	Finance company
Wellmake Investments Limited	Hong Kong	Ordinary HK$9,998 (Non-voting deferred HK$2)*	—	100%	Property holding

* The non-voting preferred shares of Cheong Ko Investment Company Limited and the non-voting deferred shares of Wellmake Investments Limited carry no rights to receive notice of, attend or vote at any general meeting and have very limited rights to participate in a distribution of profits and, on liquidation, to the repayment of the amount paid up on the shares.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 March 2007.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	687,652	706,044	590,001	489,715	**557,737**
(Loss) profit before taxation	(7,094)	134,875	366,242	182,534	**(109,470)**
Taxation	(21,044)	(2,459)	(17,773)	(9,683)	**(6,127)**
(Loss) profit for the year	(28,138)	132,416	348,469	172,851	**(115,597)**
Attributable to:					
Equity holders of the Company	(24,871)	140,830	348,469	172,851	**(115,597)**
Minority interests	(3,267)	(8,414)	—	—	**—**
(Loss) profit for the year	(28,138)	132,416	348,469	172,851	**(115,597)**

ASSETS AND LIABILITIES

	At 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	959,763	1,041,132	1,328,097	1,127,857	**1,473,064**
Total liabilities	(434,414)	(373,917)	(274,409)	(96,929)	**(103,886)**
Equity attributable to equity holders of the Company	525,349	667,215	1,053,688	1,030,928	**1,369,178**
Minority interests	1,036	—	—	—	**—**
Total equity	526,385	667,215	1,053,688	1,030,928	**1,369,178**

A. INVESTMENT PROPERTIES

	Location	Purpose	Approximate gross floor/ saleable area (sq. ft.)	Lease term
1.	Easy Tower Nos. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon	Industrial/ commercial	74,458	Medium
2.	Shops 1, 2, 3 on Ground Floor together with showcase on Ground Floor, First Floor and Second Floor of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon	Commercial	13,544	Medium
3.	6th Floor, Nos. 650-652 Castle Peak Road, and No. 18A Wing Hong Street, Kowloon	Industrial	8,514	Medium
4.	2nd Floor, Nos. 790, 792 and 794 Cheung Sha Wan Road, Kowloon	Industrial	2,997	Medium
5.	Ground Floor, No. 50 Yun Ping Road, Causeway Bay, Hong Kong	Commercial	900	Long
6.	Ground Floor and Cockloft No. 31 Granville Road, Tsim Sha Tsui, Kowloon	Commercial	2,002	Medium
7.	Shop on Ground Floor together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kwun Tong, Kowloon	Commercial	1,220	Medium
8.	Block B1 and portion of Block B of 7B, No. 481 Castle Peak Road Cheung Sha Wan Kowloon	Industrial	6,992	Medium

B. PROPERTIES HELD FOR SALE

Location	Purpose	Approximate gross floor area (sq. ft.)	Percentage of interest	Lease term
Upper Floors Residential Units of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mongkok, Kowloon	Residential	2,126	100%	Medium