

IMPORTANT

If you are in any doubt about this prospectus or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Easyknit International Holdings Limited (the "Company"), you should at once hand this prospectus and the accompanying provisional allotment letter and the form of application for excess Rights Shares, to the purchaser or bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

Dealings in the shares of the Company may be settled through the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited ("HKSCC") and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of this prospectus, together with copies of the provisional allotment letter and the form of application for excess Rights Shares and the written consent of Deloitte Touche Tohmatsu (referred to herein) has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. A copy of this prospectus has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.

The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited ("SGX-ST") and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. Admission to the Official List of the SGX-ST and the listing and quotation for the Rights Shares, on the SGX-ST are in no way reflective of the merits of the Company, its subsidiaries or the Rights Issue.



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 1218)

RIGHTS ISSUE OF 441,224,462 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$0.11 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES HELD PAYABLE IN FULL UPON ACCEPTANCE

Joint Financial Advisers

ALTUS CAPITAL LIMITED



GET NICE CAPITAL LIMITED

Underwriter of the Rights Issue



Get Nice Investment Limited

It should be noted that the Underwriting Agreement contains provisions that the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on Thursday, 24 June, 2004, being the second Business Day following the Acceptance Date, if: 1. there occurs (a) an introduction of any new law or regulation or any regulation (or the judicial interpretation thereof); or (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or 2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or 3. the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or 4. the Prospectus Documents contain information which would be untrue or inaccurate in any material respect and the Company has failed to send out promptly any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company. Details of terms for the termination of the Underwriting Agreement are set out in the section headed "Termination of the Underwriting Agreement" on pages 10 to 11 of this prospectus. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 9 June, 2004 to Wednesday, 16 June, 2004 (both dates inclusive) whilst the conditions in the Rights Issue is subject remain unfulfilled. Any Shareholders or other persons dealing in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Thursday, 24 June, 2004), or in the Rights Shares in their nil-paid form during the period from Wednesday, 9 June, 2004 to Wednesday, 16 June, 2004 (Monday, 7 June, 2004 to Tuesday, 8 June, 2004, in the case of Shares traded on the SGX-ST), being the respective first and the last day of dealings in the nil-paid Rights Shares (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in the nil-paid form during such periods who are in any doubt about their position are recommended to consult their professional advisers.

The latest time for acceptance and payment for the Rights Shares is 4:00 p.m. on Monday, 21 June, 2004, in the case of Shares traded on the Stock Exchange, and 4:45 p.m. (for acceptance through CDP) or 9:30 p.m. (for acceptance through automated teller machines of participating banks) on Monday, 14 June, 2004, in the case of Shares traded on the SGX-ST. The procedure for acceptance or transfer of the Rights Shares is set out on pages 15 to 16 of this prospectus.

* For identification only

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.

Amount to be raised approximately HK\$47.5 million, net of expenses

Basis of the Rights Issue one Rights Share for every two Shares
held on the Record Date

Number of Rights Shares to be issued 441,224,462 Rights Shares

Rights Price HK\$0.11 per Rights Share,
payable in full upon acceptance

Latest time for acceptance

— in the case of Shares traded
on the Stock Exchange 4:00 p.m. on Monday, 21 June, 2004

— in the case of Shares traded
on the SGX-ST 4:45 p.m. (for acceptance through CDP)
or 9:30 p.m. (for acceptance through
automated teller machines
of participating banks)
on Monday, 14 June, 2004

Right of excess application provisional allottees have the right to
apply for Rights Shares in excess
of their provisional allotments

EXPECTED TIMETABLE IN HONG KONG

2004

First day of dealings in nil-paid Rights Shares	Wednesday, 9 June
Latest time and date for splitting of nil-paid Rights Shares	4:00 p.m., on Friday, 11 June
Last day of dealings in nil-paid Rights Shares	Wednesday, 16 June
Latest time and date for payment for and acceptance of Rights Issue	4:00 p.m., on Monday, 21 June
Latest time and date for the Rights Issue and Underwriting Agreement to become unconditional	after 4:00 p.m., on Thursday, 24 June
Announcement of results of acceptance of and excess applications in the Rights Issue	Friday, 25 June
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Friday, 25 June
Despatch of certificates for fully-paid Rights Shares	Friday, 25 June
First day of dealings in fully-paid Rights Shares	Tuesday, 29 June

Please refer to appendix IV for information on the expected timetable for the Rights Issue in Singapore.

Investors should be aware that Singapore nil-paid rights cannot be traded in Hong Kong and Hong Kong nil-paid rights cannot be traded in Singapore.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on Thursday, 24 June, 2004, being the second Business Day following the Acceptance Date, if:

1. there occurs
 - (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
 - (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
 - (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
3. the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

4. **the Prospectus Documents contain information which would be untrue or inaccurate in any material respect and the Company has failed to send out promptly any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.**

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees or expenses as may then be agreed by the Underwriter and the Company. If the Underwriter exercises such right, the Rights Issue will not proceed.

Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 9 June, 2004 to Wednesday, 16 June, 2004 (both dates inclusive) whilst the conditions in the Rights Issue is subject remain unfulfilled. Any Shareholders or other persons dealing in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Thursday, 24 June, 2004), or in the Rights Shares in the nil-paid form during the period from Wednesday, 9 June, 2004 to Wednesday, 16 June, 2004 (Monday, 7 June, 2004 to Tuesday, 8 June, 2004, in the case of Shares traded on the SGX-ST), being the respective first and the last day of dealings in the nil-paid Rights Shares (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in the nil-paid form during such periods who are in any doubt about their position are recommended to consult his professional advisers.

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Acceptance Date”	4:00 p.m. on Monday, 21 June, 2004, in the case of Shares traded on the Stock Exchange, and 4:45 p.m. (for acceptance through CDP) or 9:30 p.m. (for acceptance through automated teller machines of participating banks) on Monday, 14 June, 2004, in the case of Shares traded on the SGX-ST (or such other time and date as the Underwriter may agree in writing with the Company as the last date for payment for and acceptance of, Rights Shares)
“ARE(s)”	Application form(s) for Rights Shares and excess Rights Shares issued to Qualifying Shareholder(s) whose Shares are traded on the SGX-ST
“ARS(s)”	Application form(s) for Rights Shares issued to purchaser(s) of Rights Shares in nil-paid form which are traded on the SGX-ST
“Asia Alliance”	Asia Alliance Holdings Limited, an associated company of the Company, the shares of which are listed on the Stock Exchange
“Asia Alliance Group”	Asia Alliance and its subsidiaries
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“BMA”	the Bermuda Monetary Authority
“Business Day”	a day on which banks generally are open for business for more than five hours in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CDP”	The Central Depository (Pte) Limited
“CITIC 21CN”	CITIC 21CN Company Limited (formerly known as 21CN CyberNet Corporation Limited), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

DEFINITIONS

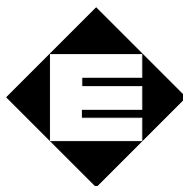
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange and the SGX-ST
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) issued in connection with the Rights Issue
“Easyknit Loan”	an interest-bearing loan of approximately HK\$30.3 million extended by the Company to Asia Alliance Group in February 2003, which has been fully repaid
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Last Trading Day”	29 April, 2004, being the last trading day before the suspension of trading in the Shares, pending the announcement of the Rights Issue
“Latest Practicable Date”	1 June, 2004, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Magical Profits”	Magical Profits Limited, a company incorporated in the British Virgin Islands with limited liability
“Market Day”	a day on which the SGX-ST is open for trading in securities
“PAL(s)”	the provisional allotment letter(s) issued in connection with the Rights Issue
“Po Cheong”	Po Cheong International Enterprises Limited, a company incorporated in Hong Kong with limited liability and a formerly wholly-owned subsidiary of the Company

DEFINITIONS

“Prospectus”	this prospectus
“Prospectus Documents”	the Prospectus, PAL and EAF (ARE and ARS in the case of Shares traded on the SGX-ST)
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appeared on the register of members of the Company at the close of business on the Record Date and whose address(es), as shown on the register of members of the Company, is/are in Hong Kong, Singapore or Bermuda or Macau or in another jurisdiction in which the Directors have determined it is expedient to make the Rights Issue available
“Record Date”	Friday, 28 May, 2004, in the case of Shares traded on the Stock Exchange and 5:00 p.m. on Tuesday, 25 May, 2004 in the case of Shares traded on the SGX-ST, being the date by reference to which entitlements to the Rights Issue are determined
“Registrar”	the Company’s branch share registrar in Hong Kong, Secretaries Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Rights Issue”	the issue of the Rights Shares by way of rights to the Qualifying Shareholders on the basis of one Rights Share for every two Shares held on the Record Date at a price of HK\$0.11 per Rights Share
“Rights Price”	HK\$0.11 per Rights Share payable in full on acceptance
“Rights Shares”	441,224,462 new Shares issued and provisionally allotted under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option(s)”	the share option(s) granted to the employee(s) of the Group under the share option scheme of the Company adopted on 18 February, 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Underwriter”	Get Nice Investment Limited, a company that is independent of, and not connected with the Directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates (which term has the meaning ascribed thereto under the Listing Rules)
“Underwriting Agreement”	the underwriting agreement dated 29 April, 2004 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“%” or “per cent.”	percentage or per centum



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司 *

(Incorporated in Bermuda with limited liability)

Executive Directors:

Koon Wing Yee

(President and Chief Executive Officer)

Tsang Yiu Kai

(Vice President)

Lui Yuk Chu

Independent Non-Executive Directors:

Wong Sui Wah, Michael

Pun Hei, Hectar

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

*Head office and principal place
of business in Hong Kong:*

Unit A, 7th Floor

Hong Kong Spinners Building

Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

7 June, 2004

*To the Qualifying Shareholders, and for information only,
the non-Qualifying Shareholders and the holders of Share Options*

Dear Sirs or Madam,

**RIGHTS ISSUE
OF 441,224,462 RIGHTS SHARES
OF HK\$0.10 EACH AT HK\$0.11 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO SHARES HELD
PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

It was announced by the Directors on 11 May, 2004 that, subject to the fulfilment of the conditions of the Rights Issue, the Company will raise approximately HK\$48.5 million before expenses, by the Rights Issue of up to 441,224,462 Rights Shares at a price of HK\$0.11 per Rights Share payable in full on acceptance.

* *For identification only*

LETTER FROM THE BOARD

In addition, on 12 May, 2004, 27 May, 2004 and 1 June, 2004 the Company made three announcements regarding the clarification on certain information relating to the expected timetable and the revised expected timetable for the Rights Issue.

The Company had Share Options in issue as at the Latest Practicable Date. Upon full exercise of the rights attaching to the outstanding Share Options, at the current subscription price of HK\$0.144, 88,000,000 Shares will be issued. As at the Latest Practicable Date, no Share Options had been exercised and the number of Rights Shares is fixed at 441,224,462. Accordingly, no holder of the Share Options is entitled to the Rights Issue.

The terms of the share option scheme of the Company adopted on 18 February, 2002 stipulate that adjustments shall be made to the exercise prices of the Share Options and the number of Shares to be issued on exercise of the Share Options upon the happening of certain events including the Rights Issue. Such adjustments if made will be certified by the auditors as fair and reasonable. The Company will make an announcement about the adjustment in the exercise prices of the Share Options and the number of Shares to be issued on exercise of the Share Options after completion of the Rights Issue.

Save for the Share Options, there are no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares.

The purpose of this Prospectus is to provide you with details of the Rights Issue, including information on dealing and transfer of Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotments of Rights Shares and certain financial and other information about the Group.

TERMS OF THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One Rights Share for every two Shares held on the Record Date
Number of Shares in issue	:	882,448,924 Shares as at the Latest Practicable Date
Number of Rights Shares	:	441,224,462 Rights Shares
Subscription price per Rights Share	:	HK\$0.11 per Rights Share with nominal value of HK\$0.10 each

Qualifying Shareholders have been provisionally allotted Rights Shares in the proportion of one Rights Share for every two Shares they held on the Record Date.

The Rights Price is payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares takes up the Rights Shares.

Rights Price

The Rights Price represents:

- (i) a discount of approximately 11.3 per cent. to the closing price of HK\$0.124 per Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.6 per cent. to the theoretical ex-rights price of HK\$0.119 per Share calculated based on the closing price per Share on the Last Trading Day;
- (iii) a discount of approximately 10.6 per cent. to the average closing price of approximately HK\$0.123 per Share for the last 10 full trading days up to and including the Last Trading Day;
- (iv) a premium of 10.0 per cent. to the closing price of HK\$0.10 per Share quoted on the Stock Exchange on the Latest Practicable Date on an ex-rights basis; and
- (v) a premium of approximately 11.34 per cent. to the average closing price of HK\$0.0988 for the last 10 full trading days up to and including the Latest Practicable Date on an ex-rights basis.

The Rights Price was determined after arm's length negotiations between the Company and the Underwriter. The Directors consider the terms of the Rights Issue and the Rights Price are fair and reasonable and in the best interests of the Company and the Shareholders.

Basis of provisional allotment

The basis of the provisional allotment is one Rights Share for every two Shares held by Qualifying Shareholders at the close of business on the Record Date, being 441,224,462 Rights Shares, at the Rights Price. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can only be made by completing the PAL (ARS in the case of Qualifying Shareholders in Singapore) and lodging the same with a remittance for the Rights Shares being accepted.

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Certificates for Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted on or before Friday, 25 June, 2004 to Shareholders who have accepted and, where applicable, successfully applied for excess Rights Shares and paid for the Rights Shares, at their own risk. Shareholders of Shares traded on the SGX-ST who have accepted and, where applicable, successfully applied for excess Rights Shares, and paid for Rights Shares can expect to have their CDP accounts credited with the Rights Shares within 7 Market Days of Tuesday, 29 June, 2004.

Rights of non-Qualifying Shareholders

Based on the register of members of the Company as at the Latest Practicable Date, all its Shareholders have registered addresses in Hong Kong save that there are two Shareholders with registered addresses in Australia and four Shareholders with registered addresses in Macau. The Company has made enquiry regarding the feasibility of extending the Rights Issue to Shareholders with registered addresses in Australia and Macau. The Directors have determined that it is expedient for the Rights Issue to be offered to the four Shareholders in Macau. On the other hand, they have formed the view that the Prospectus Documents would require to be registered in Australia at some expense if the Rights Issue was to be offered to the Shareholders with registered addresses in Australia. The Directors are therefore of the view that it is not expedient to make available the Rights Issue to these two Shareholders due to the substantial costs involved to ensure compliance with Australian law as such costs outweigh the possible benefits to the relevant Shareholders and the Company.

The Prospectus Documents will not be registered under or conformed to the applicable securities legislation of any jurisdictions other than those of Hong Kong, Singapore and Bermuda. Accordingly, no provisional allotment of Rights Shares has been made to non-Qualifying Shareholders. The Company has sent the Prospectus for the Rights Issue to non-Qualifying Shareholders for their information only and will not send PALs, EAFs, AREs or ARSs to non-Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less. Any unsold entitlements of non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be available for excess application on EAFs (AREs in the case of Shares traded on the SGX-ST) by Qualifying Shareholders.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAFs (AREs in the case of Shares traded on the SGX-ST) and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement dated 29 April, 2004

The Underwriter has agreed to underwrite 279,116,236 Rights Shares (which number does not include the 162,108,226 Rights Shares that Magical Profits has undertaken to take up and pay for). The Underwriter does not have any shareholdings in the Company and is independent third party not connected with the Company, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

Commission

The Company will pay the Underwriter an underwriting commission of 1.0 per cent. of the aggregate subscription price of the Rights Shares underwritten by it, which amounts to approximately HK\$0.35 million, out of which the Underwriter must pay any sub-underwriting fees. The Directors believe that the underwriting commission accords with market rates.

Undertaking from Magical Profits

Magical Profits, which is beneficially owned by the Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, an executive Director, and members of her family) is interested in 324,216,452 Shares, representing approximately 36.7% of the total issued share capital of the Company. Magical Profits has irrevocably undertaken to the Company and the Underwriter to take up its entitlement in full, representing 162,108,226 Rights Shares. Magical Profits will not apply for any excess Rights Shares.

LETTER FROM THE BOARD

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDER

The shareholdings in the Company immediately before and after completion of the Rights Issue are set out as follows:

	Immediately before completion of the Rights Issue		After completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		After completion of the Rights Issue (assuming only Magical Profits takes up its Rights Shares)	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Magical Profits	324,216,452	36.7	486,324,678	36.7	486,324,678	36.7
Public	558,232,472	63.3	837,348,708	63.3	558,232,472	42.2
Underwriter	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>279,116,236</u>	<u>21.1</u>
Total	<u>882,448,924</u>	<u>100.0</u>	<u>1,323,673,386</u>	<u>100.0</u>	<u>1,323,673,386</u>	<u>100.0</u>

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on Thursday, 24 June, 2004, being the second Business Day following the Acceptance Date, if:

1. there occurs

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

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2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
3. the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
4. the Prospectus Documents contain information which would be untrue or inaccurate in any material respect and the Company has failed to send out promptly any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees or expenses as may then be agreed by the Underwriter and the Company. If the Underwriter exercises such right, the Rights Issue will not proceed.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, each of the following events being fulfilled:

1. the Listing Committees of the Stock Exchange and the SGX-ST each agreeing to grant listings of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the dates specified in such approvals and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on Thursday, 24 June, 2004, being the second Business Day after the Acceptance Date;

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2. the delivery to the Stock Exchange and filing and registration of all documents relating to the Rights Issue required by law to be filed, with the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda and, if required, the Registrar of Companies and Businesses in Singapore;
3. the obtaining of the permission of the BMA for the issue of the Rights Shares, if necessary;
4. the obtaining of all regulatory approvals under the laws of Singapore necessary to give effect to the Rights Issue, if any; and
5. the compliance by the Company with all its obligations under the Underwriting Agreement and the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated.

As at the date of this Prospectus, conditions 2 and 3 have been fulfilled.

Permission under the Exchange Control Act 1972 of Bermuda (as amended) (and regulations made thereunder) has been received from the BMA on 3 July, 1998 in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission and in accepting the Prospectus for filing, neither the BMA nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any of the statements made on, or opinions expressed in the Prospectus Documents. It is expected that, the SGX-ST will grant an in-principle approval for the listing of and quotation for the Rights Shares after the Stock Exchange has granted the approval for the Rights Issue in Hong Kong. The in-principle approval of the SGX-ST is not an indication of the merits of the Company, its subsidiaries or the Rights Issue. As the Company's primary listing is in Hong Kong, it is not required to comply with SGX-ST's continuing listing rules.

In the event that the conditions of the Rights Issue are not fulfilled and/or waived (other than conditions 1, 2, 3 and 4 which cannot be waived) in whole or in part by the Underwriter on or before 4:00 p.m. on Thursday, 24 June, 2004, being the second Business Day following the Acceptance Date as determined in the Underwriting Agreement (or such later date as the Company and the Underwriter may agree), neither the Underwriter nor the Company shall have any rights or be subject to any obligations arising from the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees or expenses as may then be agreed by the Underwriter and the Company. If the Underwriter exercises such right, the Rights Issue will not proceed and the irrevocable undertaking by Magical Profits to accept its entitlement under the Rights Issue will lapse.

WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 9 June, 2004 to Wednesday, 16 June, 2004 (both dates inclusive) whilst the conditions in the Rights Issue is subject remain unfulfilled. If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

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Any Shareholders or other persons dealing in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Thursday, 24 June, 2004), or in the Rights Shares in the nil-paid form during the period from Wednesday, 9 June, 2004 to Wednesday, 16 June, 2004 (Monday, 7 June, 2004 to Tuesday, 8 June, 2004, in the case of Shares traded on the SGX-ST), being the respective first and the last day of dealings in the nil-paid Rights Shares (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in the nil-paid form during such periods who are in any doubt about their position are recommended to consult their professional advisers.

REASONS FOR AND USE OF THE PROCEEDS OF THE RIGHTS ISSUE

The estimated expenses of the Rights Issue are approximately HK\$1.0 million, and will be borne by the Company. The estimated net proceeds of the Rights Issue will be approximately HK\$47.5 million. The Company plans to use approximately HK\$40.0 million of the proceeds to repay outstanding bank borrowings and the balance of approximately HK\$7.5 million as general working capital. The Directors consider the Rights Issue appropriate as it will reduce the Group's bank borrowings of approximately HK\$280.1 million and its gearing ratio of 0.44 as at 30 April, 2004 to HK\$240.1 million and 0.35 immediately after the Rights Issue respectively. Besides, the Directors are in the view that the Right Issue will strengthen the equity base of the Company.

As the Rights Issue will allow Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Rights Issue.

The Directors confirm that there were no fund raising exercises of the Company in the past 12 months.

REVIEW OF OPERATIONS AND PROSPECTS

The Company is an investment holding company and, through its subsidiaries and its associated company, Asia Alliance, is engaged in sourcing and export of cotton-based knitted garments for women, children and infants, property investments, bleaching and dyeing, property investments and provision of wireless communication services.

(a) Business review

For the six month period ended 30 September, 2003, turnover of the Group was approximately HK\$352,600,000, representing an increase of approximately 8.4% when compared to the same period last year. Profit from operations was approximately HK\$11,883,000, a decrease of approximately 65.7% compared to the same period last year.

Despite the slowdown in global economy and the outbreak of Severe Acute Respiratory Syndrome in 2003, garment sourcing and export remained the major business of the Group and contributed approximately 87.9% of the Group's turnover, an increase of approximately 0.8% over the

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same period last year. Turnover of garments exported to the United States of America was approximately HK\$283,539,000, a decrease of approximately 0.7% compared to the same period last year. The revenue from the bleaching and dyeing segment was approximately HK\$25,577,000, which represented approximately 7.3% of the Group's total turnover.

(b) **Property investment**

During the six month period ended 30 September, 2003, the signing of the Closer Economic Partnership Arrangement ("CEPA") and further relaxation of restrictions for mainlanders entering Hong Kong improved the overall market sentiment. Jobless rate decreased while consumer spending increased. The property market witnessed signs of recovery. To seize this opportunity, the Group launched the sale of Fa Yuen Plaza, a commercial and residential complex developed by the Group, in May 2003. All the commercial units have been leased out and approximately 20% of the residential properties have been sold. The sale boosted the turnover of the property investment segment amounting to approximately HK\$16,841,000, an increase of approximately 57.3% compared to the same period last year.

With the change of market conditions, Easy Tower is put on market for sale by tender and will be sold if ideal price can be achieved.

(c) **Provision of wireless communication services**

i100 Wireless (Hong Kong) Limited, a wholly-owned subsidiary of Asia Alliance, continues its principal activity of providing branded wireless data services in Hong Kong. In June 2003, all the active customer accounts of its 2.5G MVNO (mobile virtual network operator) business operated under the trade name of Noodle were transferred to SUNDAY. Hence, i100 Wireless (Hong Kong) Limited became a content provider to SUNDAY. However, the wireless communication business still suffers from huge losses and the directors of Asia Alliance are considering the options available to them to reduce losses.

(d) **Disposal of CITIC 21CN**

On 15 January, 2004, the Company entered into an agreement with Fairworld Investments Limited (as the purchaser) and Mr. Chen Tien Tui (as warrantor), whereby the Company agreed to dispose of 100,000,000 shares of CITIC 21CN, which represented approximately 3.14% of the issued share capital of CITIC 21CN as at the date of the agreement. The consideration for the disposal was HK\$84,000,000. Following the disposal, the Company has no interest in the issued share capital of CITIC 21CN.

(e) **Prospects**

Given the persistent economic downturn situation, the Group will actively promote businesses of perceived higher profitability, such as the garment business, to capture a higher profit margin and increase its contribution to the Group's revenue. The Group will continue to explore potential investment projects or businesses with a view to diversifying and expanding its sources of income.

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NON-QUALIFYING SHAREHOLDERS

Documents issued in connection with the Rights Issue will not be registered or filed under or conformed to the applicable securities legislation of any jurisdictions other than those in Hong Kong, Singapore and Bermuda. Accordingly, no provisional allotment of Rights Shares has been made to the non-Qualifying Shareholders and no PALs, EAFs, AREs or ARSs will be sent to such persons. The Company has sent the Prospectus to the non-Qualifying Shareholders for their information only.

No action has been taken to permit the offering of the Rights Shares or the distribution of copies of the Prospectus, PALs, EAFs, AREs or ARSs in any jurisdiction other than Hong Kong, Singapore, Bermuda or Macau. Accordingly, no person receiving PALs, EAFs, AREs or ARSs in any jurisdiction outside Hong Kong, Singapore, Bermuda or Macau may treat it as an offer or invitation to apply for Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Except as referred to below, it is the responsibility of anyone outside Hong Kong, Singapore, Bermuda or Macau wishing to make an application for the Rights Shares to satisfy himself/herself as to the observance of the laws and regulations of all relevant jurisdiction, including the obtaining of any government or other consents, and to pay any taxes and duties required to be paid in such jurisdiction in connection therewith. No application for Rights Shares will be accepted from any person whose registered address is outside Hong Kong, Singapore, Bermuda or Macau. The Company reserves the right to refuse or to accept any application for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the jurisdiction of residence of the applicant.

PERSONS HOLDING SHARES THROUGH CDP

Persons holding Shares through CDP in Singapore should receive a letter from CDP relating to the Rights Issue and should refer to that letter for, inter alia, the procedure for application for the Rights Shares and the information in appendix IV to this Prospectus. The information below does not relate to applications by persons holding Shares through CDP.

PROCEDURE FOR ACCEPTANCE OR TRANSFER

If you are a Qualifying Shareholder in Hong Kong, a PAL is enclosed with this Prospectus which entitles you to subscribe for the number of Rights Shares shown thereon. If you wish to exercise your right to subscribe for all the Rights Shares specified in the enclosed PAL, you must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar no later than 4:00 p.m. on Monday, 21 June, 2004. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Easyknit International Holdings Limited — Rights Issue Account" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged to the Registrar by 4:00 p.m. on Monday, 21 June, 2004 whether by the original allottee or any person in whose favour the rights have been transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

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If you wish to accept only part of your provisional allotment or transfer a part of your rights to subscribe for the Rights Shares provisionally allotted under the PAL or to transfer all of your rights, the entire PAL letter must be surrendered by not later than 4:00 p.m. on Friday, 11 June, 2004 to the Registrar who will cancel the original PAL and issue a new PAL in the denominations required. The PALs contain full information regarding the procedures to be followed if you wish to accept only part of your provisional allotment or if you wish to transfer all or part of your provisional allotment.

All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on Thursday, 24 June, 2004, being the second Business Day following the Acceptance Date, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest, by means of cheques despatched in the ordinary post at the risk of such applicants on or before Friday, 25 June, 2004.

APPLICATIONS FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements of non-Qualifying Shareholders and any Rights Shares provisionally allotted but not accepted.

Application is made by completing the EAF. The Directors will allocate the excess Rights Shares on a fair and reasonable basis, but will give preference to topping-up odd lots to whole board lots.

If you wish to apply for any Rights Shares in addition to your provisional allotment, you must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar no later than 4:00 p.m. on Monday, 21 June, 2004. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Easyknit International Holdings Limited — Excess Application Account" and crossed "Account Payee Only". The Registrar will notify you of any allotment of excess Rights Shares made to you.

If no excess Rights Shares are allotted to you, the amount tendered on application is expected to be refunded in full on or before Friday, 25 June, 2004. If the number of excess Rights Shares allotted to you is less than that applied for, the surplus application monies are also expected to be refunded to you on or before Friday, 25 June, 2004. If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on Thursday, 24 June, 2004, being the second Business Day following the Acceptance Date, the monies received in respect of relevant application for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched in the ordinary post at the risk of such applicants on or before Friday, 25 June, 2004.

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All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

The EAFs are for use only by the persons to whom they are addressed and are not transferable.

The above procedures relating to application of Rights Shares and excess Rights Shares are not applicable to the Shareholders in Singapore.

LISTINGS AND DEALINGS

Applications have been made to the Listing Committee of the Stock Exchange and the SGX-ST respectively for listings of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. It is expected that the SGX-ST will grant an in-principle approval for the listing of and quotation for the Rights Shares after the Stock Exchange has granted the approval for the Rights Issue in Hong Kong. The in-principle approval of the SGX-ST is not an indication of the merits of the Company, its subsidiaries or the Rights Issue. As the Company's primary listing is in Hong Kong, it is not required to comply with SGX-ST's continuing listing rules.

The Shares will not be listed or dealt in on any other stock exchange outside Hong Kong and Singapore. Apart from the Shares and the Rights Shares, no part of the securities of the Company is listed or dealt in nor is any listing of or permission to deal in securities of the Company being or proposed to be sought on any other stock exchange.

Dealings in the nil-paid Rights Shares are expected to commence on Wednesday, 9 June, 2004 and to cease at the close of business of the Stock Exchange on Wednesday, 16 June, 2004 in Hong Kong. The latest time for splitting of nil-paid Rights Shares will be 4:00 p.m. on Friday, 11 June, 2004.

Subject to the granting of the listings of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC and the CDP for deposit, clearance and settlement in CCASS and the CDP respectively with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange and the SGX-ST or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter and settlement of transactions between participants of the SGX-ST on any trading day is required to take place on the third Market Day following the date of transactions. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. For the purpose of trading on the Stock Exchange, a board lot for the Rights Shares in both their nil-paid and fully-paid forms will be 5,000 Shares. Dealings in both their nil-paid and fully-paid forms registered in the register of members of the Company in Hong Kong will be subject to payment of stamp duty in Hong Kong. The nil-paid Rights Shares will also be traded on the SGX-ST.

SHARE CERTIFICATES

It is expected that certificates for the fully-paid Rights Shares will be posted to those entitled thereto at their own risk by the Registrar on or before Friday, 25 June, 2004.

Where entitlements to Rights Shares exceed one board lot, it is proposed, so far as is practicable, to issue share certificates in integral multiples of board lot of 5,000 Shares each, with a certificate for the balance.

GENERAL

All documents, including cheques for amounts due, will be sent by post at the risk of the persons entitled thereto to their registered addresses.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of
Easyknit International Holdings Limited
Koon Wing Yee
President and Chief Executive Officer

1. DIRECTORS**Particulars of Directors**

Name	Address
Executive Directors:	
Koon Wing Yee	No. 11 Keng Hau Road Shatin New Territories Hong Kong
Tsang Yiu Kai	House B, Richwood Park 33 Lo Fai Road Tai Po, New Territories Hong Kong
Lui Yuk Chu	No. 11 Keng Hau Road Shatin New Territories Hong Kong
Independent Non-Executive Directors:	
Wong Sui Wah, Michael	Flat A, 4/F Sunfair Mansion 12 Shiu Fai Terrace Stubbs Road Hong Kong
Pun Hei, Hectar	10B, Tower 7 Park Avenue 18 Hoi Ting Road Kowloon Hong Kong

Executive Directors

Koon Wing Yee, aged 47, is an executive Director and the President and Chief Executive Officer of the Company. He is a co-founder of the Group. Mr. Koon is also an executive director and the President and Chief Executive Officer of Asia Alliance. He has been involved in the textiles industry for more than 26 years. He is the husband of Ms. Lui Yuk Chu (who is also an executive Director). Mr. Koon is responsible for the overall management and development of the Group. Mr. Koon was awarded the “Young Entrepreneur Award” in Hong Kong in December 1994 for his outstanding achievements as an entrepreneur.

Tsang Yiu Kai, aged 52, is an executive Director, the Vice President and the company secretary of the Company. Mr. Tsang is also an executive director, the Vice President and the company secretary of Asia Alliance and is responsible for the corporate affairs, finance and general management of the Group. Mr. Tsang holds a Diploma in Accountancy from Hong Kong Baptist University (formerly known as The Hong Kong Baptist College) and he is a fellow member of The Hong Kong Society of Accountants and The Association of Chartered Certified Accountants. Mr. Tsang has about 28 years of working experience.

Lui Yuk Chu, aged 46, is a co-founder and an executive Director of the Company. Ms. Lui is also an executive director of Asia Alliance. She is the wife of Mr. Koon Wing Yee. She has been involved in the textiles industry for more than 26 years and has extensive experience in design, manufacturing, marketing and distribution of apparel.

All of the executive Directors were appointed to the Board in September 1994.

Independent Non-Executive Directors

Wong Sui Wah, Michael, aged 46, was appointed to the Board in October 2000. 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 holds a B.A. Degree from McMaster University in Canada in 1981 and obtained his L.L.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.

Pun Hei, Hectar, aged 33, was appointed to the Board in January 2004. Mr. Pun was admitted to practise as a Barrister of the High Court in 1995. He holds a Master of Laws degree from the University of London in the United Kingdom, where he attended King’s College and is now a practising Barrister.

2. CORPORATE INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Principal place of business	Unit A, 7th Floor Hong Kong Spinners Building Phase 6, 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company secretary	Tsang Yiu Kai FHKSA, FCCA, AHKIT, CGA and CPA
Authorised representatives	Koon Wing Yee Tsang Yiu Kai
Legal advisers to the Company	<i>On Hong Kong law:</i> Richards Butler 20th Floor Alexandra House 16-20 Chater Road Hong Kong <i>On Bermuda law:</i> Appleby Spurling Hunter 5511 The Center 99 Queen's Road Central Hong Kong
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Registrar and transfer office in Hong Kong	Secretaries Limited Ground Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Principal share registrar and transfer office in Bermuda	Butterfield Corporate Services Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda

Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Standard Chartered Bank 4-4A Des Voeux Road Central Hong Kong

3. SHARE CAPITAL AND OPTIONS

As at the Latest Practicable Date, no Share Options had been exercised. The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue are, and are expected to be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>30,000,000,000</u>	Shares	<u>3,000,000,000</u>
 <i>Issued and fully-paid:</i>		
882,448,924	Shares in issue	88,244,892.40
<u>441,224,462</u>	Shares to be issued pursuant to the Rights Issue	<u>44,122,446.20</u>
<u>1,323,673,386</u>	Shares in issue immediately following the Rights Issue	<u>132,367,338.60</u>

Each of the Shares in issue ranks *pari passu* with all other Shares in all respects including as to rights to dividends, voting and return of capital. The Shares to be issued pursuant to the Rights Issue, when fully paid and issued, will rank *pari passu* in all respects with the then issued Shares including as to the right to receive dividends and distributions which may be declared, made or paid after the issue of the Rights Shares.

The Company has its primary listing on the Stock Exchange and secondary listing on the SGX-ST. Save as disclosed herein, no part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchanges.

Save as disclosed herein, no Share or loan capital of the Company or any of its subsidiaries has been put under option or agreed conditionally or unconditionally to be put under option.

The Company had Share Options in issue as at the Latest Practicable Date. Upon full exercise of the rights attaching to the outstanding Share Options, at the current subscription price of HK\$0.144, 88,000,000 Shares will be issued. Save for the Share Options, there are no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares.

4. INTERIM RESULTS

Set out below are the extracts of the unaudited interim results for the six months ended 30 September, 2003 of the Group with comparative figures. These interim financial statements have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

For the six months ended 30 September, 2003

	<i>Notes</i>	Six months ended	
		30 September,	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited and as restated)</i>
Turnover	3	352,600	325,415
Cost of sales		<u>(289,997)</u>	<u>(250,235)</u>
Gross profit		62,603	75,180
Other operating income		2,352	1,219
Distribution costs		(15,830)	(12,726)
Administrative expenses		(34,014)	(24,248)
Allowance for doubtful debts		<u>(3,228)</u>	<u>(4,737)</u>
Profit from operations	3 & 4	11,883	34,688
Unrealised gain (loss) on other investments	5	45,986	(36,054)
Gain on partial disposal of subsidiaries		886	—
Income on release of guarantee		—	5,000
Loss on disposal of other investments		—	(21,438)
Share of results of jointly controlled entities		(75)	—
Finance costs	6	<u>(5,030)</u>	<u>(5,322)</u>
Profit (loss) before taxation		53,650	(23,126)
Taxation	7	<u>(1,873)</u>	<u>(3,729)</u>
Profit (loss) before minority interests		51,777	(26,855)
Minority interests		<u>5,612</u>	<u>1,188</u>
Net profit (loss) for the period		<u><u>57,389</u></u>	<u><u>(25,667)</u></u>
Basic earnings (loss) per share	8	<u><u>6.50 cents</u></u>	<u><u>(7.87) cents</u></u>

Condensed Consolidated Balance Sheet*At 30 September, 2003*

	<i>Notes</i>	30 September, 2003 <i>HK\$'000</i> <i>(Unaudited)</i>	31 March, 2003 <i>HK\$'000</i> <i>(Audited and as restated)</i>
Non-current assets			
Property, plant and equipment	10	52,759	40,760
Investment properties	11	452,780	452,780
Permanent textile quota entitlements		1,758	2,211
Club debenture		921	741
Interests in an associate		19	—
Interests in jointly controlled entities		<u>1,188</u>	<u>1,253</u>
		<u>509,425</u>	<u>497,745</u>
Current assets			
Properties held for sale		83,375	89,500
Other investments	12	66,145	20,000
Inventories		6,194	10,770
Trade and other receivables	13	209,248	197,893
Loans receivable		68,192	71,692
Bills receivable		17,572	17,982
Tax recoverable		816	373
Bank balances and cash		<u>36,880</u>	<u>53,808</u>
		<u>488,422</u>	<u>462,018</u>
Current liabilities			
Trade and other payables	14	80,372	73,688
Bills payable		1,342	—
Amount due to a jointly controlled entity		1,234	1,234
Tax payable		17,946	17,394
Obligations under finance leases			
- amount due within one year		19	19
Bank and other borrowings			
- amount due within one year		<u>153,650</u>	<u>161,483</u>
		<u>254,563</u>	<u>253,818</u>
Net current assets		<u>233,859</u>	<u>208,200</u>
		<u><u>743,284</u></u>	<u><u>705,945</u></u>

	<i>Notes</i>	30 September, 2003 <i>HK\$'000</i> <i>(Unaudited)</i>	31 March, 2003 <i>HK\$'000</i> <i>(Audited and as restated)</i>
Capital and reserves			
Share capital	15	88,245	88,245
Reserves		<u>495,529</u>	<u>438,140</u>
		<u>583,774</u>	<u>526,385</u>
Minority interests		<u>—</u>	<u>(1,036)</u>
Non-current liabilities			
Obligations under finance leases			
- amount due after one year		28	38
Bank and other borrowings			
- amount due after one year		159,259	180,333
Deferred tax		<u>223</u>	<u>225</u>
		<u>159,510</u>	<u>180,596</u>
		<u>743,284</u>	<u>705,945</u>

Condensed Consolidated Statement of Changes In Equity*For the six months ended 30 September 2003*

	Share capital	Share premium	Capital reserve	Special reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2002						
- As originally stated	22,061	1,103,894	895,932	9,800	(1,559,540)	472,147
- Adjustment on adoption of SSAP 12 (Revised) (<i>see note 2</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(312)</u>	<u>(312)</u>
- As restated	22,061	1,103,894	895,932	9,800	(1,559,852)	471,835
Rights issue of shares at a price of HK\$0.12 per rights share	66,184	13,237	—	—	—	79,421
Net loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(24,871)</u>	<u>(24,871)</u>
At 31 March 2003	<u>88,245</u>	<u>1,117,131</u>	<u>895,932</u>	<u>9,800</u>	<u>(1,584,723)</u>	<u>526,385</u>
At 1 April 2003						
- As originally stated	88,245	1,117,131	895,932	9,800	(1,584,498)	526,610
- Adjustment on adoption of SSAP 12 (Revised) (<i>see note 2</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(225)</u>	<u>(225)</u>
- As restated	88,245	1,117,131	895,932	9,800	(1,584,723)	526,385
Net profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>57,389</u>	<u>57,389</u>
At 30 September 2003	<u>88,245</u>	<u>1,117,131</u>	<u>895,932</u>	<u>9,800</u>	<u>(1,527,334)</u>	<u>583,774</u>
At 1 April 2002 (as restated)	22,061	1,103,894	895,932	9,800	(1,559,852)	471,835
Rights issue of shares at a price of HK\$0.12 per rights share	66,184	13,237	—	—	—	79,421
Net loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(25,667)</u>	<u>(25,667)</u>
At 30 September 2002	<u>88,245</u>	<u>1,117,131</u>	<u>895,932</u>	<u>9,800</u>	<u>(1,585,519)</u>	<u>525,589</u>

Condensed Consolidated Cash Flow Statement*For the six months ended 30 September 2003*

	Six months ended	
	30 September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash from operating activities	16,195	9,941
Net cash used in investing activities	(4,206)	(68,389)
Net cash (used in) from financing activities	<u>(28,917)</u>	<u>17,766</u>
Net decrease in cash and cash equivalents	(16,928)	(40,682)
Cash and cash equivalents at beginning of the period	<u>53,808</u>	<u>55,770</u>
Cash and cash equivalents at end of the period	<u><u>36,880</u></u>	<u><u>15,088</u></u>

Notes to the Condensed Financial Statements*For the six months ended 30 September, 2003***1 BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants (the "HKSA").

2 PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes", for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for deferred tax which was adopted in the condensed financial statements. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy to recognise deferred tax using the balance sheet liability method has been applied retrospectively and resulted in increases in accumulated losses of the Group by HK\$312,000 at 1 April, 2002 and HK\$225,000 at 1 April, 2003. In addition, loss of the Group for the six months ended 30 September, 2002 decreased by HK\$40,000 and profit of the Group for the six months ended 30 September, 2003 increased by HK\$2,000. Comparative amounts for the previous period have been restated in order to achieve a consistent presentation.

Other than the above, the accounting policies adopted are consistent with those followed in the Group's annual audited financial statements for the year ended 31 March, 2003.

3 SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into six main operating divisions - garment sourcing and export, bleaching and dyeing, property investment, investment in securities, telecommunications services and related investments, and loan financing. These divisions are the bases on which the Group reports its primary segment information.

	Garment sourcing and export <i>HK\$'000</i>	Bleaching and dyeing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Tele- communications services and related investments <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 September, 2003:								
Turnover								
External	309,760	25,577	15,341	—	1,922	—	—	352,600
Inter-segment	—	—	1,500	—	—	—	(1,500)	—
	<u>309,760</u>	<u>25,577</u>	<u>16,841</u>	<u>—</u>	<u>1,922</u>	<u>—</u>	<u>(1,500)</u>	<u>352,600</u>
Result								
Segment result and profit (loss) from operations	<u>18,079</u>	<u>(844)</u>	<u>7,922</u>	<u>(339)</u>	<u>(12,255)</u>	<u>2,725</u>	<u>(3,405)</u>	<u>11,883</u>

	Garment sourcing and export <i>HK\$'000</i>	Bleaching and dyeing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 September, 2002:							
Turnover							
External	307,264	9,018	9,133	—	—	—	325,415
Inter-segment	—	—	1,572	—	—	(1,572)	—
	<u>307,264</u>	<u>9,018</u>	<u>10,705</u>	<u>—</u>	<u>—</u>	<u>(1,572)</u>	<u>325,415</u>
Result							
Segment result and profit (loss) from operations	<u>32,577</u>	<u>(2,228)</u>	<u>9,877</u>	<u>(691)</u>	<u>(3,925)</u>	<u>(922)</u>	<u>34,688</u>

4 PROFIT FROM OPERATIONS

Six months ended 30 September,
2003 **2002**
HK\$'000 *HK\$'000*

Profit from operations has been arrived at after charging:

Depreciation and amortisation on:

- property, plant and equipment	4,297	1,608
- permanent textile quota entitlements	453	905
	4,750	2,513

5 UNREALISED GAIN (LOSS) ON OTHER INVESTMENTS

The amount represents unrealised gain (loss) on revaluation of other investments, being shares of 21CN CyberNet Corporation Limited ("21CN"), to fair value at the reporting date.

6 FINANCE COSTS

Six months ended 30 September,
2003 **2002**
HK\$'000 *HK\$'000*

Interest on borrowings:

- wholly repayable within five years	4,886	5,322
- not wholly repayable within five years	144	—
	5,030	5,322

7 TAXATION

Six months ended 30 September,
2003 **2002**
HK\$'000 *HK\$'000*

The charge (credit) comprises:

Current tax:

Hong Kong Profits Tax	1,875	3,769
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Deferred tax:

Current period	(23)	(40)
Attributable to a change in tax rate	21	—
	(2)	(40)

Taxation attributable to the Company and its subsidiaries

	1,873	3,729
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Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 September, 2002: 16%) of the estimated assessable profit for the period.

8 EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	Six months ended 30 September,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period		
Profit (loss) for the purposes of basic earnings (loss) per share	<u>57,389</u>	<u>(25,667)</u>
Number of shares		
Number/weighted average number of		
shares for the purposes of basic earnings (loss) per share	<u>882,448,924</u>	<u>326,226,901</u>

The denominator for the purposes of calculating basic loss per share for the six months ended 30 September, 2002 has been adjusted to reflect the consolidation of shares in August 2002 on the basis that ten shares were consolidated into one share and the rights issue of shares in September 2002.

No diluted earnings per share for the six months ended 30 September, 2003 has been disclosed as the Company has no dilutive share options outstanding during the period and the exercise prices of the outstanding share options of a listed subsidiary of the Company are greater than the average price of the shares of that subsidiary.

The calculation of diluted loss per share for the six months ended 30 September, 2002 had not been disclosed as the exercise of the Company's outstanding share options would reduce the loss per share for that period.

9 DIVIDEND

No dividend was paid by the Company during the period. The directors do not recommend the payment of an interim dividend for the six months ended 30 September, 2003.

10 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$16,482,000 (six months ended 30 September, 2002: HK\$69,376,000) on acquisition of property, plant and equipment.

11 INVESTMENT PROPERTIES

In the opinion of the directors of the Company, there is no significant change in value of the Group's investment properties since the last professional valuation of 31 March, 2003.

12 OTHER INVESTMENTS

	30 September, 2003	31 March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong - 21CN, at market value	<u>66,145</u>	<u>20,000</u>

21CN is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. 21CN and its subsidiaries are principally engaged in the provision of telecommunications value-added services, systems integration and software development, and Internet-related business.

At 30 September, 2003, the Group holds 100,220,000 shares (31 March, 2003: 100,000,000 shares) of 21CN representing approximately 3.22% (31 March, 2003: 3.22%) of the issued ordinary shares of HK\$0.01 each in the capital of 21CN.

13 TRADE AND OTHER RECEIVABLES

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

	30 September, 2003	31 March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	100,462	156,329
61 - 90 days	23,712	23,626
Over 90 days	<u>73,358</u>	<u>8,311</u>
	<u>197,532</u>	<u>188,266</u>

14 TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the reporting date is as follows:

	30 September, 2003	31 March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	43,613	41,122
61 - 90 days	6,266	1,275
Over 90 days	<u>11,747</u>	<u>3,450</u>
	<u>61,626</u>	<u>45,847</u>

15 SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 April, 2002	0.01	300,000,000,000	3,000,000
On consolidation of shares		<u>(270,000,000,000)</u>	<u>—</u>
At 31 March, 2003 and 30 September, 2003	0.10	<u>30,000,000,000</u>	<u>3,000,000</u>
Issued and fully paid:			
At 1 April, 2002	0.01	2,206,122,318	22,061
On consolidation of shares for every ten issued shares into one consolidated share		<u>(1,985,510,087)</u>	<u>—</u>
	0.10	220,612,231	22,061
Rights issue of shares at a price of HK\$0.12 per rights share	0.10	<u>661,836,693</u>	<u>66,184</u>
At 31 March, 2003 and 30 September, 2003	0.10	<u>882,448,924</u>	<u>88,245</u>

There was no movement in the authorised, issued and fully paid share capital of the Company during the interim period under review.

16 RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the period, the Group had the following transactions carried out at prices determined by reference to market prices for similar transactions with related parties/persons deemed to be “connected persons” by the Stock Exchange, being entities controlled by certain relatives of Koon Wing Yee and his spouse Lui Yuk Chu, both of whom are directors of the Company:

	Six months ended 30 September,	
	2003	2002
	HK\$'000	HK\$'000
Sales of fabric	17,784	—
Sales of garments	348	1,379
Bleaching and dyeing charges received	745	2,415
Purchases of garments	<u>121,315</u>	<u>121,543</u>

At the reporting date, amounts due from these entities comprise:

	30 September, 2003	31 March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	22,746	17,450
Deposits paid	<u>85,404</u>	<u>71,933</u>
	108,150	89,383
Loans and interest receivable	<u>—</u>	<u>3,119</u>
	<u>108,150</u>	<u>92,502</u>

The loans bore interest at 2% per annum and were repaid in full on 1 April, 2003. Interest income earned during the six months ended 30 September, 2002 amounted to HK\$214,000.

- (b) The Group made advances to i100 Limited (renamed as Asia Alliance Holdings Limited), a non wholly-owned subsidiary whose shares are listed on the Stock Exchange, to finance its operation. Such advances are unsecured, bear interest at prime rate and are repayable on demand. Interest income earned during the period amounted to HK\$759,000 (six months ended 30 September, 2002: nil). At 30 September, 2003, the amounts of advances outstanding and interest receivable were HK\$30,270,000 (31 March, 2003: HK\$30,270,000) and nil (31 March, 2003: HK\$166,000), respectively.
- (c) The Group also made advances to Mary Mac Apparel, Inc., a non wholly-owned subsidiary, to finance its operation. Such advances are unsecured, bear interest at 5% per annum and are repayable on demand. Interest income earned during the period amounted to HK\$376,000 (six months ended 30 September, 2002: nil). At 30 September, 2003, the amounts of advances outstanding and interest receivable were HK\$15,548,000 (31 March, 2003: HK\$13,505,000) and HK\$1,012,000 (31 March, 2003: HK\$636,000), respectively.
- (d) The Group provided administrative services to Easyknit Properties Management Limited, a company in which Koon Wing Yee and Tsang Yiu Kai, both of whom are directors of the Company, have beneficial interests. Service income earned during the period amounted to HK\$101,000 (six months ended 30 September, 2002: HK\$74,000). The service income is determined based on mutually agreed terms.

17 CONTINGENT LIABILITIES

	30 September, 2003	31 March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	<u>2,281</u>	<u>13,460</u>

18 CAPITAL COMMITMENTS

	30 September, 2003	31 March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the condensed financial statements in respect of:		
- acquisition of property, plant and equipment	85	3,085
- capital injection for interests in jointly controlled entities and non wholly-owned subsidiaries	<u>20,989</u>	<u>24,342</u>
	<u>21,074</u>	<u>27,427</u>

5. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated income statement of the Group for the three years ended 31 March, 2003 together with the audited consolidated balance sheet of the Group as at 31 March, 2002 and 2003 respectively. The information upon which the summary is based has been extracted from the annual reports of the Company for the relevant years.

Consolidated Income Statement

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	4	687,652	694,262	659,887
Cost of sales		<u>(534,588)</u>	<u>(563,185)</u>	<u>(519,394)</u>
Gross profit		153,064	131,077	140,493
Other operating income		3,071	5,023	7,786
Distribution costs		(37,797)	(26,617)	(45,402)
Administrative expenses		(61,389)	(50,561)	(36,166)
Reversal of deficit (deficit) arising on revaluation of investment properties		15,815	(10,270)	4,300
Allowance for properties held for sale		(6,080)	—	—
Write-off of goodwill on acquisition of subsidiaries		(7,194)	—	—
Impairment loss recognised in respect of leasehold land and buildings		—	(4,439)	—
Impairment loss recognised in respect of properties under development		—	(2,784)	—
Cost arising from the cancellation of sale and purchase agreement in respect of the disposal of a property held for sale		—	—	(2,063)
Impairment loss recognised in respect of properties held for sale		<u>—</u>	<u>—</u>	<u>(2,000)</u>
Profit from operations	6	59,490	41,429	66,948
Unrealised (loss) gain on investment in 21CN CyberNet Corporation Limited	7	(11,000)	(28,418)	131,034
Loss on disposal of investment in 21CN CyberNet Corporation Limited	8	(50,456)	—	—
Income on release of guarantee	9	5,000	—	—
Loss on deemed disposal of a subsidiary		—	—	(8,205)
Loss on disposal of subsidiaries		—	—	(701)
Finance costs	10	<u>(10,128)</u>	<u>(18,329)</u>	<u>(31,115)</u>
(Loss) profit before taxation		(7,094)	(5,318)	157,961
Taxation	12	<u>(21,131)</u>	<u>(5,254)</u>	<u>(14,650)</u>
(Loss) profit before minority interests		(28,225)	(10,572)	143,311
Minority interests		<u>3,267</u>	<u>1,173</u>	<u>—</u>
Net (loss) profit for the year		<u><u>(24,958)</u></u>	<u><u>(9,399)</u></u>	<u><u>143,311</u></u>
(Loss) earnings per share	13			
Basic		<u><u>HK\$(0.041)</u></u>	<u><u>HK\$(0.09)*</u></u>	<u><u>HK\$2.0*</u></u>

* The basis (loss) earnings per share have been adjusted for the effect of the share consolidation and rights issue announced on 17 July, 2002.

Consolidated Balance Sheet*At 31 March, 2003*

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15	40,760	106,106
Investment properties	16	452,780	328,230
Permanent textile quota entitlements	17	2,211	3,762
Club debenture		741	741
Interests in jointly controlled entities	18	1,253	—
		<u>497,745</u>	<u>438,839</u>
Current assets			
Properties held for sale	20	89,500	—
Other investments	21	20,000	125,849
Inventories	22	10,770	9,662
Trade and other receivables	23	197,893	164,784
Loans receivable	24	71,692	10,870
Bills receivable		17,982	40,070
Taxation recoverable		373	—
Bank balances and cash		53,808	55,770
		<u>462,018</u>	<u>407,005</u>
Current liabilities			
Trade and other payables	25	73,688	67,694
Bills payable		—	3,071
Amount due to a jointly controlled entity	18	1,234	—
Taxation payable		17,394	9,790
Obligations under finance leases			
- amount due within one year	26	19	19
Secured borrowings			
- amount due within one year	27	161,483	90,575
		<u>253,818</u>	<u>171,149</u>
Net current assets		<u>208,200</u>	<u>235,856</u>
		<u>705,945</u>	<u>674,695</u>

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Capital and reserves			
Share capital	28	88,245	22,061
Reserves		<u>438,365</u>	<u>450,086</u>
		<u>526,610</u>	<u>472,147</u>
Minority interests		<u>(1,036)</u>	<u>(705)</u>
Non-current liabilities			
Obligations under finance leases			
- amount due after one year	26	38	58
Secured borrowings			
- amount due after one year	27	<u>180,333</u>	<u>203,195</u>
		<u>180,371</u>	<u>203,253</u>
		<u>705,945</u>	<u>674,695</u>

Balance Sheet*At 31 March, 2003*

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets			
Interests in subsidiaries	19	379,197	323,213
Club debenture		<u>741</u>	<u>741</u>
		<u>379,938</u>	<u>323,954</u>
Current assets			
Other receivables		154	280
Bank balances and cash		<u>27,336</u>	<u>48,326</u>
		<u>27,490</u>	<u>48,606</u>
Current liabilities			
Other payables		430	1,393
Amounts due to subsidiaries	19	<u>56,627</u>	<u>41,874</u>
		<u>57,057</u>	<u>43,267</u>
Net current (liabilities) assets		<u>(29,567)</u>	<u>5,339</u>
		<u>350,371</u>	<u>329,293</u>
Capital and reserves			
Share capital	28	88,245	22,061
Reserves	30	<u>262,126</u>	<u>307,232</u>
		<u>350,371</u>	<u>329,293</u>

Consolidated Statement of Changes In Equity*For the year ended 31 March 2003*

	Share capital	Share premium	Capital reserve	Property revaluation reserve	Special reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	73,537	1,008,300	796,656	7,862	9,800	(1,550,141)	346,014
Impairment loss recognised in respect of leasehold land and buildings not recognised in the consolidated income statement	—	—	—	(7,862)	—	—	(7,862)
Rights issue of shares	47,800	95,594	—	—	—	—	143,394
Reduction of share capital	(99,276)	—	99,276	—	—	—	—
Net loss for the year	—	—	—	—	—	(9,399)	(9,399)
At 31 March 2002	22,061	1,103,894	895,932	—	9,800	(1,559,540)	472,147
Rights issue of shares	66,184	13,237	—	—	—	—	79,421
Net loss for the year	—	—	—	—	—	(24,958)	(24,958)
At 31 March 2003	<u>88,245</u>	<u>1,117,131</u>	<u>895,932</u>	<u>—</u>	<u>9,800</u>	<u>(1,584,498)</u>	<u>526,610</u>

Notes to the Financial Statements*For the year ended 31 March, 2003***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") and the Singapore Exchange Securities Trading Limited.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and export of cotton based knitted garments for women, children and infants, property investments, garment bleaching and dyeing, and provision of wireless communication services.

2 ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the previous year have been restated in order to achieve a consistent presentation. The adoption of these new and revised SSAPs has no material effect on the results for the current or prior accounting periods.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the premium paid/less any discount on acquisition in so far as it has not already been written off/amortised/released to income, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Revenue recognition

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

Telecommunications revenue for services provided for fixed periods is recognised on a straight line basis over the respective periods. Other telecommunications revenue is recognised when products are delivered or services are rendered.

Other service income is recognised when services are rendered.

The gain on disposal of permanent or temporary textile quota entitlements is recognised upon execution of a legally binding, unconditional and irrevocable transfer form to the transferee.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the lease terms.

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

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable, except in the case of loans which are deemed to be doubtful at which stage interest accrual ceases.

Impairment

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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, plant and equipment

Property, plant and equipment, other than properties under development, are stated at cost or valuation less depreciation and any accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP No. 17 "Property, plant and equipment" ("SSAP 17") from the requirement to make revaluation on a regular basis of the Group's leasehold land and buildings, certain of which had been carried at revalued amount prior to the effective date of SSAP 17 and accordingly, no further valuation of these properties is carried out.

Any further decrease in value of the revalued assets is dealt with as an expense to the extent that it exceeds 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 attributable revaluation surplus is transferred to accumulated profits.

Costs relating to the development of properties are capitalised and included as properties under development, as appropriate, in the balance sheet until such time as they are identified for transfer to specific categories of property, plant and equipment or properties held for sale. Development costs exclude administrative and operating expenses which are charged to the income statement in the period in which they are incurred.

Properties under development are not depreciated until completion of construction.

Depreciation is provided to write off the cost or valuation of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired term of lease
Buildings	Over the duration of the leases or fifty years, whichever is the shorter
Others	5%-20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Leases

Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income derived therefrom being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at 31 March each year. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, any balance on the investment property revaluation reserve which is attributable to that property will be credited to the income statement and included in the determination of the gain or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is twenty years or less.

Textile quota entitlements

Permanent textile quota entitlements purchased from outside parties are stated at cost less accumulated amortisation and any identified impairment losses. The cost of permanent textile quota entitlements is amortised on a straight line basis over a period of five years by equal monthly instalments.

Temporary textile quota entitlements purchased from outside parties are charged to the income statement at the time of utilisation, or in the absence of such utilisation upon the expiry of the relevant utilisation period.

Club debentures

Club debentures, which are held for long-term investment purposes, are stated at cost less any identified impairment losses.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity, which are held-to-maturity debt securities, are measured at amortised cost less any identified impairment losses. Any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments, as appropriate.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment losses.

Other investments are measured at fair value, with unrealised gains and losses included in the profit or loss for the year.

Properties held for sale

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits costs

The amount of the Group's contributions payable under the Group's retirement benefits schemes is charged to the income statement as and when incurred.

4 TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of returns, and services rendered by the Group, the total amount of quota income received and receivable from temporary transfer of permanent textile quota entitlements, and rental income received and receivable during the year. An analysis of the Group's turnover is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	579,202	619,012
Bleaching and dyeing services	29,789	7,817
Quota income	56,941	49,568
Rental income	19,056	17,865
Telecommunications services	<u>2,664</u>	<u>—</u>
	<u><u>687,652</u></u>	<u><u>694,262</u></u>

5 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into six main operating divisions - garment sourcing and export, property investment, investment in securities, garment bleaching and dyeing, telecommunications services and related investments, and loan financing. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Year 2003

(i) Income statement

	Garment sourcing and export <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Garment bleaching and dyeing <i>HK\$'000</i>	Tele- communications services and related investments <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER								
External	636,143	19,056	—	29,789	2,664	—	—	687,652
Inter-segment	—	3,144	—	—	—	—	(3,144)	—
Total	<u>636,143</u>	<u>22,200</u>	<u>—</u>	<u>29,789</u>	<u>2,664</u>	<u>—</u>	<u>(3,144)</u>	<u>687,652</u>
RESULT								
Segment result and profit from operations	<u>50,522</u>	<u>27,142</u>	<u>(705)</u>	<u>(485)</u>	<u>(17,898)</u>	<u>1,589</u>	<u>(675)</u>	59,490
Unrealised loss on investment in 21CN (see note 7)								(11,000)
Loss on disposal of investment in 21CN								(50,456)
Income on release of guarantee								5,000
Finance costs								<u>(10,128)</u>
Loss before taxation								(7,094)
Taxation								<u>(21,131)</u>
Loss before minority interests								(28,225)
Minority interests								<u>3,267</u>
Net loss for the year								<u>(24,958)</u>

Notes:

- (a) Inter-segment transactions are charged at prevailing market prices.
- (b) Turnover from garment sourcing and export includes income from temporary transfer of permanent textile quota entitlements of HK\$50,286,000.

(ii) Balance sheet

	Garment sourcing and export	Property investment	Investment in securities	Garment bleaching and dyeing	Tele- communications services and related investments	Loan financing	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS							
Segment assets	202,303	543,571	20,000	32,403	10,493	72,738	881,508
Unallocated corporate assets							<u>78,255</u>
Consolidated total assets							<u><u>959,763</u></u>
LIABILITIES							
Segment liabilities	34,722	14,423	10	16,990	8,284	62	74,491
Unallocated corporate liabilities							<u>359,698</u>
Consolidated total liabilities							<u><u>434,189</u></u>

(iii) Other information

	Garment sourcing and export	Property investment	Investment in securities	Garment bleaching and dyeing	Tele- communications services and related investments	Loan financing	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	21	102,364	—	5,565	288	—	108,238
Depreciation and amortisation	2,549	1,186	—	897	1,070	—	5,702
Other non-cash (income) expenses	4,951	(8,713)	56,456	744	7,194	—	60,632

Year 2002

(i) Income statement

	Garment sourcing and export	Property investment	Investment in securities	Garment bleaching and dyeing	Loan financing	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER							
External	668,580	17,865	—	7,817	—	—	694,262
Inter-segment	—	3,773	—	—	—	(3,773)	—
Total	<u>668,580</u>	<u>21,638</u>	<u>—</u>	<u>7,817</u>	<u>—</u>	<u>(3,773)</u>	<u>694,262</u>
RESULT							
Segment result and profit from operations	<u>47,059</u>	<u>(3,342)</u>	<u>(1,952)</u>	<u>(1,021)</u>	<u>976</u>	<u>(291)</u>	41,429
Unrealised loss on investment in 21CN							(28,418)
Finance costs							<u>(18,329)</u>
Loss before taxation							(5,318)
Taxation							<u>(5,254)</u>
Loss before minority interests							(10,572)
Minority interests							<u>1,173</u>
Net loss for the year							<u>(9,399)</u>

Notes:

- (a) Inter-segment transactions are charged at prevailing market prices.
- (b) Turnover from garment sourcing and export includes income from temporary transfer of permanent textile quota entitlements of HK\$40,157,000.

(ii) Balance sheet

	Garment sourcing and export	Property investment	Investment in securities	Garment bleaching and dyeing	Loan financing	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS						
Segment assets	218,165	401,707	125,849	15,716	11,115	772,552
Unallocated corporate assets						<u>73,292</u>
Consolidated total assets						<u><u>845,844</u></u>
LIABILITIES						
Segment liabilities	57,441	9,552	5,010	7,207	29	79,239
Unallocated corporate liabilities						<u>295,163</u>
Consolidated total liabilities						<u><u>374,402</u></u>

(iii) Other information

	Garment sourcing and export	Property investment	Investment in securities	Garment bleaching and dyeing	Loan financing	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	1,220	4,763	—	7,163	—	13,146
Depreciation and amortisation	4,766	1,279	—	425	—	6,470
Impairment losses	—	7,223	—	—	—	7,223
Other non-cash expenses	—	10,270	28,418	—	—	38,688

Geographical segments

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

	Turnover		Contribution to profit from operations	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	21,720	17,865	7,273	(8,106)
People's Republic of China, excluding Hong Kong ("PRC")	29,789	7,817	(689)	(1,021)
United States of America ("USA")	576,453	633,616	52,632	49,784
Canada	23,327	15,869	241	611
Europe	21,064	19,095	46	161
Mexico	14,951	—	(13)	—
Others	348	—	—	—
	<u>687,652</u>	<u>694,262</u>	<u>59,490</u>	<u>41,429</u>

An analysis of the carrying amount of segment assets, and additions to property, plant and equipment and permanent textile quota entitlements, 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 and permanent textile quota entitlements	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	901,624	813,390	102,673	5,125
PRC	34,484	15,702	5,565	7,163
USA	23,655	16,752	—	858
	<u>959,763</u>	<u>845,844</u>	<u>108,238</u>	<u>13,146</u>

6 PROFIT FROM OPERATIONS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>note 11(a)</i>)	7,018	7,400
Other staff costs, including retirement benefits costs	<u>21,771</u>	<u>15,583</u>
Total staff costs	<u>28,789</u>	<u>22,983</u>
Allowance for doubtful debts	6,353	—
Auditors' remuneration:		
- current year	635	565
- underprovision in prior years	109	44
Cost of inventories consumed	525,477	553,707
Depreciation and amortisation on:		
- owned assets	4,131	2,849
- assets held under finance leases	20	20
- permanent textile quota entitlements (<i>note a</i>)	1,551	3,601
Loss on disposal of other investments	—	588
Purchased temporary textile quota entitlements utilised	3,276	3,671
Write-off of goodwill on acquisition of additional interest in subsidiaries (<i>note b</i>)	364	—
and after crediting:		
Gain on disposal of other investments	84	—
Interest income	2,216	2,804
Write back of allowance for doubtful debts	<u>—</u>	<u>1,233</u>

Notes:

- (a) The amount is included in distribution costs.
- (b) The amount is included in administrative expenses.

7 UNREALISED LOSS ON INVESTMENT IN 21CN CYBERNET CORPORATION LIMITED

The amount represents the unrealised loss on revaluation of the Group's investments in shares of 21CN CyberNet Corporation Limited ("21CN") to fair value at the balance sheet date (see also note 21(d)).

8 LOSS ON DISPOSAL OF INVESTMENT IN 21CN

The amount represents loss on disposal of other investments, being shares of 21CN, to an outside party during the year (see also note 21(d)).

9 INCOME ON RELEASE OF GUARANTEE

The amount represents income on release of a guarantee, details of which are set out in note 21(c).

10 FINANCE COSTS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
- bank borrowings wholly repayable within five years	10,190	18,211
- bank borrowings not wholly repayable within five years	184	—
- other borrowings wholly repayable within five years	30	112
- obligations under finance leases	<u>4</u>	<u>6</u>
Total borrowing costs	10,408	18,329
Less: Amount capitalised	<u>(280)</u>	<u>—</u>
	<u>10,128</u>	<u>18,329</u>

Borrowing costs capitalised during the year arose on specific borrowing at an average interest rate of 3.6% per annum.

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees:		
Executive	—	—
Independent non-executive	<u>200</u>	<u>200</u>
	<u>200</u>	<u>200</u>
Other emoluments paid to executive directors:		
Salaries and other benefits (including benefits in kind of HK\$1,238,000; 2002: nil)	6,578	4,800
Performance related incentive payments	—	2,160
Retirement benefits costs	<u>240</u>	<u>240</u>
	<u>6,818</u>	<u>7,200</u>
Total directors' emoluments	<u>7,018</u>	<u>7,400</u>

The emoluments of the directors fall within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	2	—
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	1
	<u>5</u>	<u>5</u>

(b) **Information regarding employees' emoluments**

The five highest paid individuals of the Group in both years included three executive directors. The emoluments of the remaining two highest paid individuals, not being directors, are as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	1,327	1,125
Retirement benefits costs	<u>45</u>	<u>52</u>
Total employees' emoluments	<u>1,372</u>	<u>1,177</u>

The aggregate emoluments of each of these two employees fall within HK\$1,000,000.

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.

12 TAXATION

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The amount comprises:		
Hong Kong Profits Tax calculated at 16% (2002: 16%) on the estimated assessable profit of the year	5,938	5,439
Under(over)provision in prior years	<u>15,193</u>	<u>(185)</u>
	<u>21,131</u>	<u>5,254</u>

Details of the potential deferred taxation not provided for are set out in note 32.

13 LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the purposes of basic loss per share	<u>(24,958)</u>	<u>(9,399)</u>
	2003	2002
Number of shares		
Weighted average number of shares for the purposes of basic loss per share	<u>603,578,288</u>	<u>110,325,287</u>

The denominators for the purposes of calculating basic loss per share of 2002 have been adjusted to reflect the consolidation of shares in August 2002 on the basis that ten shares were consolidated into one share and the rights issue of shares in September 2002.

The calculation of diluted loss per share has not been disclosed as the exercise of the Company's outstanding share options would reduce the loss per share for both years.

14 RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions carried out at prices determined by reference to market prices for similar transactions with related parties/persons deemed to be "connected persons" by the Stock Exchange, being entities controlled by certain relatives of Koon Wing Yee and his spouse Lui Yuk Chu, both of whom are directors of the Company:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of garments	2,398	4,689
Bleaching and dyeing charges received	16,969	5,060
Purchases of garments	<u>255,617</u>	<u>229,711</u>

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

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	17,450	4,997
Deposits paid	<u>71,933</u>	<u>52,737</u>
Trade and other receivables	89,383	57,734
Loans and interest receivable	<u>3,119</u>	<u>—</u>
	<u><u>92,502</u></u>	<u><u>57,734</u></u>

The loans bear interest at 2% per annum and are repayable within one year.

The Group, its principal 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 services to Easyknit Properties Management Limited, a company in which Koon Wing Yee and Tsang Yiu Kai, both of whom are directors of the Company, have beneficial interests and received service income of HK\$149,000 (2002: HK\$149,000) from that company. The service income is determined based on mutually agreed terms.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Properties under development <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST OR VALUATION						
At 1 April, 2002	41,384	74,784	4,687	16,587	2,411	139,853
On acquisition of subsidiaries	—	—	—	4,588	359	4,947
Additions	—	102,364	5,046	738	90	108,238
Reclassification	—	—	1,168	(1,168)	—	—
Transferred to properties held for sale	—	(95,580)	—	—	—	(95,580)
Transferred to investment properties	—	(81,568)	—	—	—	(81,568)
Disposals	—	—	(18)	—	—	(18)
At 31 March, 2003	<u>41,384</u>	<u>—</u>	<u>10,883</u>	<u>20,745</u>	<u>2,860</u>	<u>75,872</u>
Comprising:						
At cost	12,384	—	10,883	20,745	2,860	46,872
At valuation - 1995	<u>29,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29,000</u>
	<u>41,384</u>	<u>—</u>	<u>10,883</u>	<u>20,745</u>	<u>2,860</u>	<u>75,872</u>
DEPRECIATION AND IMPAIRMENT LOSS						
At 1 April, 2002	17,384	2,784	180	11,469	1,930	33,747
Provided for the year	820	—	715	2,336	280	4,151
Transferred to investment properties	—	(2,784)	—	—	—	(2,784)
Eliminated on disposals	—	—	(2)	—	—	(2)
At 31 March, 2003	<u>18,204</u>	<u>—</u>	<u>893</u>	<u>13,805</u>	<u>2,210</u>	<u>35,112</u>
NET BOOK VALUE						
At 31 March, 2003	<u>23,180</u>	<u>—</u>	<u>9,990</u>	<u>6,940</u>	<u>650</u>	<u>40,760</u>
At 31 March, 2002	<u>24,000</u>	<u>72,000</u>	<u>4,507</u>	<u>5,118</u>	<u>481</u>	<u>106,106</u>

The Group's leasehold land and buildings and properties under development are situated in Hong Kong and are held under medium-term leases.

The valuation of certain leasehold land and buildings 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 leasehold land and buildings been carried at cost less accumulated depreciation, their carrying value would have been stated at HK\$28,686,000 (2002: HK\$29,368,000).

The net book value of property, plant and equipment of the Group included an amount of HK\$58,000 (2002: HK\$78,000) in respect of assets held under finance leases.

16 INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1 April, 2002	328,230
On acquisition of subsidiaries	29,951
Transferred from properties under development	78,784
Surplus arising on revaluation	<u>15,815</u>
At 31 March, 2003	<u><u>452,780</u></u>

The investment properties are held for rental purposes under operating leases. They were revalued at 31 March, 2003 by Knight Frank (Services) Limited, a firm of independent professional property valuers, on an open market existing use basis. This revaluation gives rise to a revaluation surplus of HK\$15,815,000 which had been credited to the consolidated income statement to reverse deficit previously charged.

The Group's investment properties comprise properties situated in Hong Kong held under:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long leases	158,000	126,500
Medium-term leases	<u>294,780</u>	<u>201,730</u>
	<u><u>452,780</u></u>	<u><u>328,230</u></u>

17 PERMANENT TEXTILE QUOTA ENTITLEMENTS

	THE GROUP
	<i>HK\$'000</i>
COST	
At 1 April, 2002	240,677
Disposals	<u>(7,951)</u>
At 31 March, 2003	<u>232,726</u>
AMORTISATION	
At 1 April, 2002	236,915
Provided for the year	1,551
Eliminated on disposals	<u>(7,951)</u>
At 31 March, 2003	<u>230,515</u>
CARRYING AMOUNT	
At 31 March, 2003	<u>2,211</u>
At 31 March, 2002	<u>3,762</u>

The permanent textile quota entitlements held by the Group are for shipments principally to USA.

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	1,231	—
Loan to a jointly controlled entity	<u>22</u>	<u>—</u>
	<u>1,253</u>	<u>—</u>
Amount due to a jointly controlled entity	<u>(1,234)</u>	<u>—</u>

The balances with jointly controlled entities are unsecured and non-interest bearing.

Particulars of the Group's interests in jointly controlled entities at 31 March, 2003 are as follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Class of shares held	Percentage of			Principal activities
				Ownership interest	Voting power	Profit sharing	
iSTT100 Limited	Corporate	Cayman Islands/ Singapore	Ordinary	45%	45%	45%	Provision of financial, technical, operational, marketing and strategic support to Internet, media and technology businesses
Vector Entertainment Corporation	Corporate	British Virgin Islands	Ordinary	45%	50%	45%	Entertainment business

19 INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	48,726	48,577
Amounts due from subsidiaries	<u>2,235,488</u>	<u>2,179,653</u>
	2,284,214	2,228,230
Less: Allowance	<u>(1,905,017)</u>	<u>(1,905,017)</u>
	<u>379,197</u>	<u>323,213</u>
Amounts due to subsidiaries	<u>(56,627)</u>	<u>(41,874)</u>

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. An amount due from subsidiaries of HK\$96,681,000 (2002: HK\$17,370,000) bear interest at the prevailing market rates of interest and the remaining amounts are non-interest bearing. In the opinion of the directors, repayment of the amounts due from subsidiaries will not be demanded by the Company within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets in the balance sheet.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Particulars of the Company's principal subsidiaries at 31 March, 2003 are set out in note 38.

20 PROPERTIES HELD FOR SALE

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Transferred from properties under development (<i>note 15</i>)	95,580	—
Less: Allowance	<u>(6,080)</u>	<u>—</u>
	<u>89,500</u>	<u>—</u>

The properties were stated at net realisable value.

21 OTHER INVESTMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong - 21CN, at market value	<u>20,000</u>	<u>125,849</u>

Notes:

- (a) 21CN is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. 21CN and its subsidiaries (collectively "21CN Group") is principally engaged in telecommunications, media and Internet business activities. At 31 March, 2003, the Group holds 100,000,000 shares (2002: 405,965,700 shares) of 21CN, representing approximately 3.22% (2002: 13.27%) of the issued ordinary shares of HK\$0.01 each in the capital of 21CN.
- (b) As announced by the Company on 15 May, 2001, the Company entered into an agreement (the "Sale Shares Agreement") on that day with Best Quarter Investments Limited ("Best Quarter") and Chan Chin Yuen ("Mr. Chan") to dispose of 211,579,420 shares of HK\$0.01 each in the issued share capital of 21CN (the "Sale Shares") held by a wholly-owned subsidiary of the Company for a consideration of HK\$88,863,356.40 of which HK\$5,000,000 was paid before the date of completion and the balance of HK\$83,863,356.40 shall be paid on 15 May, 2002. Best Quarter is a company incorporated in the British Virgin Islands and Mr. Chan was the registered and beneficial owner of the entire issued share capital of Best Quarter. Best Quarter was and Mr. Chan is independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The consideration was determined with reference to the then market value of shares of 21CN. As at the closing of trading on 15 May, 2001, the closing market price of shares of 21CN as quoted on the Stock Exchange was HK\$0.42 per share, which is equivalent to the purchase price per share of the Sale Shares. Best Quarter agreed that within twelve months from the date of completion of the Sale Shares Agreement, it shall not dispose of any of the Sale Shares or any interest or charge or create or allow to exist any interest in or encumbrance over the interests of Best Quarter and of the Company under the Sale Shares save for mortgage on the Sale Shares as mentioned below. Mr. Chan agreed to guarantee the performance of Best Quarter's obligations in the Sale Shares Agreement. Completion of the Sale Shares Agreement took place on 1 June, 2001.

On 1 June, 2001, the Company and Best Quarter signed a deed of mortgage and assignment, pursuant to which the Sale Shares were held by the Company through a wholly-owned subsidiary as security for the payment by Best Quarter of the balance of the consideration for the Sale Shares.

Also on 1 June, 2001, the Company and Mr. Chan signed a deed of mortgage and assignment, pursuant to which the entire issued capital of 1 share of US\$1.00 of Best Quarter was charged to the Company as security for the payment by Best Quarter of the balance of the consideration for the Sale Shares.

Also on 1 June, 2001, the Company and Mr. Chan entered into a call option agreement, under which the Company was granted a call option to purchase all but not some of the issued share capital of Best Quarter. The exercise price of the option shall be HK\$95,210,739. This option was exercisable at any time from the date of the call option agreement to 15 May, 2002.

The Company entered into the Sale Shares Agreement for the disposal of the Sale Shares for the purpose of complying with its obligations under a conditional agreement dated 7 February, 2000, as amended by a supplemental agreement dated 14 February, 2000, with 21CN and two outside parties (the “Subscribers”) relating to the subscription by the subscribers for new shares in the capital of 21CN (the “Subscription Agreement”). Following completion of the Sale Shares Agreement on 1 June, 2001, the Company has no further obligation under the Subscription Agreement to dispose of its remaining interest in shares of 21CN. The Sale Shares represented approximately 6.92% of the then issued share capital of 21CN. Disposal of the Sale Shares shall be recognised by the Group when the call option to acquire Best Quarter, purchaser of the Sale Shares, lapses on 15 May, 2002 and the Group’s interest in 21CN would then be reduced from approximately 13.27% at 31 March, 2002 to 6.35% (based on 21CN’s then capital structure). HK\$5,000,000, being a portion of the consideration for the Sale Shares, received by the Group was therefore shown as deposit received (included in trade and other payables) under current liabilities in the consolidated balance sheet at 31 March, 2002.

Details of the above are set out, inter alia, in the circular of the Company dated 5 June, 2001.

- (c) As announced by the Company on 7 June, 2002, the Company was not paid the remaining consideration of HK\$83,863,356.40 referred to in (b) above on 15 May, 2002 by Best Quarter. Pursuant to the Sale Shares Agreement, the Company, after considering the options available, entered into an agreement with Mr. Chan dated 22 May, 2002 to acquire from Mr. Chan 1 share of US\$1.00 of Best Quarter, being the entire issued share capital of Best Quarter, and the shareholder loan of HK\$5,000,000 owing by Best Quarter to Mr. Chan. The aggregate consideration amounted to HK\$5,000,008 which shall not be paid in cash but shall instead be satisfied by the delivery to Mr. Chan of a letter under seal from the Company unconditionally releasing the guarantee formerly given by Mr. Chan under the Sale Shares Agreement, which was credited to the income statement (see note 9).

Completion of the above agreement took place on 14 June, 2002 following which Best Quarter became a wholly-owned subsidiary of the Company. Disposal of the Sale Shares was therefore not recognised and the Group continued to hold 405,965,700 shares of 21CN.

Details of the above are set out, inter alia, in the circular of the Company dated 28 June, 2002.

- (d) As announced by the Company on 12 September, 2002, the Company entered into an agreement (the “2002 Sale Shares Agreement”) on that day with an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates as defined in the Listing Rules to dispose of an aggregate of 305,965,700 shares of HK\$0.01 each in the issued capital of 21CN (the “2002 Sale Shares”) for an aggregate cash consideration of HK\$45,894,855. At 31 March, 2003, completion of the 2002 Sales Shares has taken place and a loss on disposal amounting to HK\$50,456,000 was recognised in the consolidated income statement in the current year (see note 8). An aggregate unrealised loss of HK\$11,000,000 was recognised in the consolidated income statement in the current year (see note 7). The Group’s interest in 21CN was reduced to approximately 3.22% (based on 21CN’s then capital structure).

The Company has undertaken with the purchaser not to dispose of (i) 30,000,000 remaining shares within six months from the date of the 2002 Sale Shares Agreement; and (ii) the balance of 70,000,000 remaining shares within twelve months from the date of the 2002 Sale Shares Agreement. The remaining shares are deposited with an escrow agent until the respective dates of release.

22 INVENTORIES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	1,976	1,048
Work-in-progress	669	—
Finished goods	<u>8,125</u>	<u>8,614</u>
	<u><u>10,770</u></u>	<u><u>9,662</u></u>

Included above are finished goods of HK\$125,000 (2002: nil) which are carried at net realisable value.

23 TRADE AND OTHER RECEIVABLES

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:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	156,329	106,085
61-90 days	23,626	2,214
Over 90 days	<u>8,311</u>	<u>46,135</u>
	<u><u>188,266</u></u>	<u><u>154,434</u></u>

24 LOANS RECEIVABLE

The loans are repayable by instalments within one year. They comprised:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount secured by property interests or listed securities and bearing interest at rates ranging from 5% to 8% per annum	49,500	—
Unsecured amount		
- guaranteed by third parties and bearing interest at rates ranging from 2% to 9% (2002: 8.125% to 18%) per annum	17,692	8,064
- bearing interest at rates ranging from 5% to 10% (2002: 7.125% to 11%) per annum	4,500	2,536
- non-interest bearing	<u>—</u>	<u>270</u>
	<u><u>71,692</u></u>	<u><u>10,870</u></u>

25 TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	41,122	37,452
61-90 days	1,275	2,375
Over 90 days	<u>3,450</u>	<u>3,075</u>
	<u><u>45,847</u></u>	<u><u>42,902</u></u>

26 OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	26	26	19	19
Between one to two years	26	26	19	19
Between two to five years	<u>25</u>	<u>49</u>	<u>19</u>	<u>39</u>
	77	101	57	77
Less: Future finance charges	<u>(20)</u>	<u>(24)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u><u>57</u></u>	<u><u>77</u></u>	57	77
Less: Amount due within one year shown under current liabilities			<u>(19)</u>	<u>(19)</u>
Amount due after one year			<u><u>38</u></u>	<u><u>58</u></u>

27 SECURED BORROWINGS

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The amounts represent:		
Bank loans	337,816	293,770
Other loan	<u>4,000</u>	<u>—</u>
	341,816	293,770
Less: Amount due within one year shown under current liabilities	<u>(161,483)</u>	<u>(90,575)</u>
Amount due after one year	<u><u>180,333</u></u>	<u><u>203,195</u></u>
The borrowings bear interest at prevailing market rates and are repayable as follows:		
Within one year	161,483	90,575
Between one to two years	60,483	54,185
Between two to five years	117,529	149,010
After five years	<u>2,321</u>	<u>—</u>
	<u><u>341,816</u></u>	<u><u>293,770</u></u>

28 SHARE CAPITAL

	<i>Notes</i>	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 April, 2001		0.10	30,000,000,000	3,000,000
Effect of the Reorganisation referred to below	(a)		<u>270,000,000,000</u>	—
At 31 March, 2002		0.01	300,000,000,000	3,000,000
On consolidation of shares	(b)		<u>(270,000,000,000)</u>	—
At 31 March, 2003		0.10	<u><u>30,000,000,000</u></u>	<u><u>3,000,000</u></u>
Issued and fully paid:				
At 1 April, 2001		0.10	735,374,106	73,537
Rights issue of shares at a price of HK\$0.15 per rights share	(c)	0.10	<u>367,687,053</u>	<u>36,769</u>
Reduction of share capital	(a)(i)	0.10	<u>1,103,061,159</u> <u>—</u>	110,306 <u>(99,276)</u>
Rights issue of shares at a price of HK\$0.08 per rights share	(d)	0.01	1,103,061,159 <u>1,103,061,159</u>	11,030 <u>11,031</u>
At 31 March, 2002		0.01	2,206,122,318	22,061
On consolidation of shares	(b)		<u>(1,985,510,087)</u>	—
Rights issue of shares at a price of HK\$0.12 per rights share	(e)	0.10	220,612,231 <u>661,836,693</u>	22,061 <u>66,184</u>
At 31 March, 2003		0.10	<u><u>882,448,924</u></u>	<u><u>88,245</u></u>

Notes:

- (a) In 2002, the Company underwent a share capital reorganisation (the “Reorganisation”). Details of the Reorganisation are set out in the circular dated 24 January, 2002 issued by the Company.

At the special general meeting of the Company held on 18 February, 2002, special resolutions approving the Reorganisation were passed and the following capital reorganisation took effect:

- (i) nominal value of issued shares in the share capital of the Company was reduced from HK\$0.10 each to HK\$0.01 each; and
- (ii) unissued shares of HK\$0.10 each in the authorised share capital of the Company were subdivided into ten shares of HK\$0.01 each.
- (b) As announced by the Company on 17 July, 2002, the Company proposed to effect the share consolidation pursuant to which every ten issued and unissued then existing shares were consolidated into one consolidated share. Details of the share consolidation are set out in the circular dated 31 July, 2002 issued by the Company. Ordinary resolutions approving the share consolidation were passed at the special general meeting of the Company held on 22 August, 2002.
- (c) Rights issue of 367,687,053 shares of HK\$0.10 each at a subscription price of HK\$0.15 per rights share were allotted on 12 September, 2001 to the shareholders of the Company in the proportion of one rights share for every two existing shares then held.
- (d) Rights issue of 1,103,061,159 shares of HK\$0.01 each at a subscription price of HK\$0.08 per rights share were allotted on 8 March, 2002 to the shareholders of the Company in the proportion of one rights share for every existing share then held.
- (e) Rights issue of 661,836,693 shares of HK\$0.10 each at a subscription price of HK\$0.12 per rights share were allotted on 9 September, 2002 to the shareholders of the Company in the proportion of three rights shares for every existing share then held.

The net proceeds of the above rights issues were applied for repayment of part of the Group’s bank loans, for financing the development of properties in Hong Kong and for general working capital purposes. All shares issued rank pari passu with the then existing shares in issue in all respects.

29 SHARE OPTION SCHEMES**(a) Share option schemes of the Company:**

The Company has a share option scheme approved at the special general meeting of the Company held on 18 February, 2002 (the “Scheme”) which replaced the share option scheme adopted on 10 January, 1995. Under the Scheme the directors may at their discretion grant options to executive directors and full time employees of the Company, its subsidiaries, associates, controlling shareholders, business partners, joint venture partners, contractors, agents, representatives, suppliers, customers, landlords, tenants, advisers or consultants 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 as rewards for the participants’ contribution and potential contribution to the Group. The Scheme will expire on 17 February, 2012.

The total number of shares in respect of which options may be granted under the Scheme can be increased by not exceeding 10% of the shares of the Company in issue as at the date of the shareholders' approval. 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 directors 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 or to be granted to such person in the 12-month period representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares, 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 abstaining from voting.

Options granted must be taken up within 30 days from the date of grant which must be a business day. Consideration for each grant of HK\$1 is payable to the Company. Options granted under the Scheme will entitle the holder to subscribe for shares within ten years from the date the option is granted. 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 grant; (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 grant; and (iii) the nominal value of the Company's shares on the date of grant. 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.

A summary of the movements of share options granted during the year ended 31 March, 2003 is as follows:

Grantee	Date of grant	Exercise period	Number of share options (adjusted as appropriate)						Share price at grant date of options (Note)
			Exercise price HK\$	At 1 April, 2002	Granted during the year	Adjustments*	Lapsed during the year	At 31 March, 2003	
Directors	19 June, 2002	19 June, 2002 to 18 October, 2002	0.067	—	11,030,000	(11,030,000)	—	—	0.062
			0.670*	—	—	1,103,000 (1,103,000)	—	—	
			0.336*	—	—	4,412,000	(4,412,000)	—	
Employees	19 June, 2002	19 June, 2002 to 18 October, 2002	0.067	—	99,270,000	(99,270,000)	—	—	0.062
			0.670*	—	—	9,927,000 (9,927,000)	—	—	
			0.336*	—	—	39,708,000	(39,708,000)	—	

* The number of share options and the corresponding exercise price have been adjusted as a result of consolidation and rights issue of shares of the Company during the year ended 31 March, 2003.

A summary of the movements of share options granted during the year ended 31 March, 2002 is as follows:

Grantee	Date of grant	Exercise price	Number of share options (adjusted as appropriate)				At 31 March, 2002	Share price at grant date of options (Note)
			At 1 April, 2001	Granted during the year	Adjustments**	Lapsed during the year		
			HK\$				HK\$	
Directors	10 April, 2001	0.124	—	21,916,000	—	(21,916,000)	—	0.166
	19 July, 2001	0.135	—	10,958,000	(10,958,000)	—	—	0.149
		0.132**	—	—	11,207,045	(11,207,045)	—	—
Employees	10 April, 2001	0.124	—	21,916,000	—	(21,916,000)	—	0.166
	19 July, 2001	0.135	—	32,874,000	(32,874,000)	—	—	0.149
		0.132**	—	—	33,621,135	(33,621,135)	—	—

** The number of share options and the corresponding exercise price have been adjusted as a result of rights issue of shares of the Company during the year ended 31 March, 2002.

No share options have been exercised during both years.

The Company received notional consideration for options granted during both years.

No charge is recognised in the income statement in respect of the value of options granted in both years.

Note: The share price at grant date of options shown in the above tables 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 grant of the options.

(b) **Share option schemes of i100 Limited ("i100"):**

i100 is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. i100 became a subsidiary of the Company with effect from 28 January, 2003.

On 21 August, 1991, i100 approved a share option scheme (the "1991 Share Option Scheme") which was terminated by an ordinary resolution of its shareholders at the annual general meeting held on 22 May, 2001 but the subsisting options granted thereunder prior to its termination remain valid and exercisable in accordance with the terms of the 1991 Share Option Scheme.

On 22 May, 2001, i100 approved a share option scheme (the "2001 Share Option Scheme") which was terminated by an ordinary resolution of its shareholders at the annual general meeting held on 6 June, 2002 but the subsisting options granted thereunder prior to the termination remain valid and exercisable in accordance with the terms of the 2001 Share Option Scheme.

On 6 June, 2002, a new share option scheme (the "2002 Share Option Scheme") was approved by the shareholders of i100. Under the terms of the 2002 Share Option Scheme, the board of directors may, at their discretion, grant options to any employee (full-time and part-time), director, supplier, consultant or advisor of any member of i100 Group to subscribe for shares in i100 subject to the terms and conditions stipulated therein. No share options have been granted under 2002 Share Option Scheme since its adoption.

The 2002 Share Option Scheme is for the purpose of providing incentives and rewards to eligible participants who contribute to the success of i100 Group's operations.

The maximum number of shares subject to the 2002 Share Option Scheme must not (when aggregate with any shares subject to any other share option scheme of i100 including the 2001 Share Option Scheme) exceed 10% of the shares in issue from time to time, excluding for this purpose shares allotted and issued upon the exercise of options granted under the 2001 Share Option Scheme.

The maximum number of shares issuable under share options to each eligible participant in the 2002 Share Option Scheme within any 12-month period, is limited to 1% of the shares of i100 in issue at any time. Any further grant to share options in excess of this limit is subject to shareholders' approval in a general meeting of i100.

The exercise period of the share options granted is determined by the board of directors of i100, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the option. The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

The exercise price in respect of any particular option of the 2002 Share Option Scheme may be determined by the board of directors of i100 in their absolute discretion and notified to each offeree but may not be less than the higher of (i) the closing price of i100's shares on the date of grant, which must be a business day, and (ii) the average closing price of i100's shares for the five business days immediately preceding the date of grant.

The 2002 Share Option Scheme is valid during the period of 10 years commencing 6 June, 2002, unless otherwise cancelled or amended.

A summary of the movements of share options granted to employees of i100 during the year ended 31 March, 2003 is as follows:

Date of grant	Exercise price HK\$	Exercise period	Number of share options			Share price at grant date HK\$
			At 1 April, 2002	Lapsed during the year	At 31 March, 2003	
2 August, 2000	0.7500	2 August, 2001 to 1 August, 2010	3,475,000	(2,880,000)	595,000	0.800
6 October, 2000	0.4700	6 October, 2001 to 5 October, 2010	1,540,000	(1,540,000)	—	0.560
26 March, 2001	0.3850	26 March, 2002 to 25 March, 2011	6,875,000	(6,150,000)	725,000	0.390
31 August, 2001	0.4032	31 August, 2002 to 30 August, 2011	37,736,000	(10,808,000)	26,928,000	0.500
			<u>49,626,000</u>	<u>(21,378,000)</u>	<u>28,248,000</u>	

The share price at grant date of options shown in the above table represents the closing price of i100's shares as stated in the daily quotations sheets issued by the Stock Exchange on the trading day immediately preceding the date of grant of the options. No share options have been granted or exercised during the year.

Details of the movements of share options granted during the year ended 31 March, 2002 are not presented as the directors of the Company consider that such information is not meaningful.

30 RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1 April, 2001	1,008,300	796,656	48,369	(1,735,435)	117,890
Premium arising from issue of new shares during the year	95,594	—	—	—	95,594
Arising on reduction of share capital	—	99,276	—	—	99,276
Net loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,528)</u>	<u>(5,528)</u>
At 31 March, 2002	1,103,894	895,932	48,369	(1,740,963)	307,232
Premium arising from issue of new shares during the year	13,237	—	—	—	13,237
Net loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(58,343)</u>	<u>(58,343)</u>
At 31 March, 2003	<u>1,117,131</u>	<u>895,932</u>	<u>48,369</u>	<u>(1,799,306)</u>	<u>262,126</u>

The capital reserve of the Company represents the credit arising from the reduction of the share capital of the Company in 1999 and 2002.

The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation in 1995.

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.

The Company has no distributable reserve at the balance sheet date of both years.

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.

31 ACQUISITION OF SUBSIDIARIES

During the year ended 31 March, 2003, the Group acquired 55.3% of the issued share capital of i100 and the entire equity interest of Victor Investment Limited for consideration of approximately HK\$6,100,000 and HK\$18,700,000 respectively. Acquisition of these subsidiaries was accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was charged to the consolidated income statement as the estimated recoverable amount from business operation of the subsidiaries acquired is less than the carrying amount. The recoverable amount from business operations is estimated based on cashflow forecast discounted at market borrowing rate.

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired		
Property, plant and equipment	4,947	—
Investment properties	29,951	—
Interests in jointly controlled entities	1,253	—
Inventories	137	—
Trade and other receivables	36,432	—
Bank balances and cash	1,732	—
Trade and other payables	(40,107)	—
Amount due to a jointly controlled entity	(1,234)	—
Bank loans	(10,779)	—
Minority interests	(1,579)	—
	<u>20,753</u>	<u>—</u>
Goodwill	7,194	—
	<u>27,947</u>	<u>—</u>
Total consideration	<u>27,947</u>	<u>—</u>
Satisfied by:		
Cash	24,758	—
Expenses incurred in connection with acquisitions	3,189	—
	<u>27,947</u>	<u>—</u>
Net cash outflow arising on acquisition:		
Cash consideration paid	(24,758)	—
Expenses incurred in connection with acquisitions	(3,189)	—
Bank balances and cash acquired	1,732	—
	<u>(26,215)</u>	<u>—</u>
Net cash outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>(26,215)</u>	<u>—</u>

The subsidiaries acquired during the year contributed HK\$3,406,000 to the Group's turnover and incurred loss from operations of HK\$10,039,000.

32 DEFERRED TAXATION

At 31 March, 2003, the Group had estimated tax losses carried forward available to relieve future assessable profits. The potential deferred tax asset of HK\$73,547,000 (2002: HK\$46,982,000) has not been recognised in the financial statements as it is not certain that the benefit will be utilised in the foreseeable future. There were no other significant timing differences arising during the year or at the balance sheet date.

The surplus or deficit arising on revaluation of the Group's properties does not constitute a timing difference for taxation purposes as any profits or losses realised on their future disposals would not be subject to taxation.

The Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

33 PLEDGE OF ASSETS

At 31 March, 2003, leasehold land and buildings, investment properties and properties held for sale with carrying amount of HK\$9,753,000, HK\$451,900,000 and HK\$89,500,000, respectively, have been pledged to banks to secure the bank borrowings granted to the Group. In addition, the entire issued capital of i100 Wireless Corporation, a non wholly-owned subsidiary of the Company, has been pledged to an outside party to secure the other loan granted to the Group.

The debentures executed by the Group in favour of its bankers charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and its subsidiaries (except for those subsidiaries operating outside Hong Kong) as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and rental revenue of the Group have been discharged by the bankers on 4 September, 2002.

34 CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	13,460	12,513	—	—
Corporate guarantees given to banks in respect of credit facilities granted to subsidiaries	—	—	337,816	1,059,311
	<u>13,460</u>	<u>12,513</u>	<u>337,816</u>	<u>1,059,311</u>

35 CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of:		
- development of properties	—	40,532
- acquisition of other property, plant and equipment	3,085	35
- capital injection for interests in jointly controlled entities and non wholly-owned subsidiaries	24,342	—
	<u>27,427</u>	<u>40,567</u>
Capital expenditure authorised but not contracted for in respect of development of properties	—	60,000
	<u>—</u>	<u>60,000</u>
	<u>27,427</u>	<u>100,567</u>

The Company had no significant capital commitments at the balance sheet date.

36 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments recognised in the consolidated income statement during the year	2,992	1,144
	<u>2,992</u>	<u>1,144</u>

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

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,009	2,095
In the second to fifth year inclusive	8,292	8,263
After five years	2,693	2,727
	<u>14,994</u>	<u>13,085</u>

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for an average term of two to ten 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.

The Group as lessor

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property rental income earned during the year	19,056	17,865
Less: Outgoings	<u>(558)</u>	<u>(531)</u>
Net rental income	<u>18,498</u>	<u>17,334</u>

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

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	14,378	14,124
In the second to fifth year inclusive	<u>14,492</u>	<u>2,954</u>
	<u>28,870</u>	<u>17,078</u>

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 Company had no significant lease commitments at the balance sheet date.

37 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.

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, net of forfeited contributions, which have been dealt with in the income statement of the Group were as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Gross employers' contributions	852	757
Less: Forfeited contributions utilised to offset employers' contributions for the year	<u>(26)</u>	<u>(143)</u>
Net employers' contributions charged to the consolidated income statement	<u>826</u>	<u>614</u>

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

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March, 2003 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
Copplestone Limited	Cayman Islands/ Hong Kong	Ordinary US\$42,880,770	—	55.3%**	Investment holding
Digital Empires Company Limited	Hong Kong	Ordinary HK\$100	—	41.5%**	Provision of computer system consultancy services
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

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	
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 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 Modern Investment Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Grand Profit Development Limited	Hong Kong	Ordinary HK\$2	—	100%	Trading of garments
i100	Bermuda/ Hong Kong	Ordinary HK\$11,018,730	—	55.3%**	Investment holding
i100 Wireless (Hong Kong) Limited	Hong Kong	Ordinary HK\$2	—	55.3%**	Wireless data service provider
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
Mark Profit Development Limited	Hong Kong	Ordinary HK\$2	—	100%	Property development
Mary Mac Apparel Inc.	USA	Common stock US\$200,000	—	70%	Garment distribution
Perfect Luck Development Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Planetic International Limited	Hong Kong	Ordinary HK\$2	—	100%	Finance company

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	
Po Cheong International Enterprises Limited	Hong Kong	Ordinary HK\$90	—	100%	Investment holding
Touch Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	Investment holding
Victor Investment Limited	Hong Kong	Ordinary HK\$1,001	—	100%	Property holding
Wellmake Investments Limited	Hong Kong	Ordinary HK\$9,998 (Non-voting deferred HK\$2)*	—	100%	Property holding
東莞永耀漂染有限公司 ("Wing Yiu")***	PRC	Registered HK\$6,000,000	—	100%	Bleaching and dyeing

* 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.

** Derived from a 55.3% interest in i100, a company whose shares are listed on the Stock Exchange.

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

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, 2003.

FINANCIAL SUMMARY

Results

	Year ended 31 March,				
	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>1,030,700</u>	<u>676,028</u>	<u>659,887</u>	<u>694,262</u>	<u>687,652</u>
(Loss) profit before taxation	(1,413,285)	20,772	157,961	(5,318)	(7,094)
Taxation	<u>(3,519)</u>	<u>(5,768)</u>	<u>(14,650)</u>	<u>(5,254)</u>	<u>(21,131)</u>
(Loss) profit before minority interests	(1,416,804)	15,004	143,311	(10,572)	(28,225)
Minority interests	<u>44,895</u>	<u>17,294</u>	<u>—</u>	<u>1,173</u>	<u>3,267</u>
Net (loss) profit for the year	<u>(1,371,909)</u>	<u>32,298</u>	<u>143,311</u>	<u>(9,399)</u>	<u>(24,958)</u>

Assets and Liabilities

	At 31 March,				
	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,049,989	1,160,619	773,672	845,844	959,763
Total liabilities	(974,337)	(961,750)	(427,658)	(374,402)	(434,189)
Minority interests	<u>(31,443)</u>	<u>(21,157)</u>	<u>—</u>	<u>705</u>	<u>1,036</u>
Shareholders' funds	<u>44,209</u>	<u>177,712</u>	<u>346,014</u>	<u>472,147</u>	<u>526,610</u>

SUMMARY OF PROPERTIES

A. Investment Properties

	Location	Purpose	Approximate gross area (sq. ft.)	Lease term
1.	Easy Tower Nos. 609-611 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 Fa Yuen Plaza No. 19 Fa Yuen Street, Mong Kok, Kowloon	Commercial	13,544	Medium
3.	Shops G02A-D on Ground Floor of Nam Fung Court of Harbour Heights, No. 1 Fook Yum Road, Hong Kong	Commercial	4,268	Long
4.	6th Floor, Nos. 650-652 Castle Peak Road, and No. 18A Wing Hong Street, Kowloon	Industrial	11,000	Medium
5.	2nd Floor, Nos. 790, 792 and 794 Cheung Sha Wan Road, Kowloon	Industrial	3,600	Medium
6.	Shop 19 on Ground Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong	Commercial	278	Long
7.	Shop 20 on Ground Floor and Shop 20 on First Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong	Commercial	1,904	Long

	Location	Purpose	Approximate gross area (sq. ft.)	Lease term
8.	Ground Floor, No. 50 Yun Ping Road, Causeway Bay, Hong Kong	Commercial	900	Long
9.	Ground Floor and Cockloft No. 31 Granville Road, Tsim Sha Tsui, Kowloon	Commercial	2,000	Medium
10.	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

B. Properties Held for Sale

Location	Purpose	Approximate gross area (sq. ft.)	Percentage of interest	Lease term
Upper Floors Residential Units, Fa Yuen Plaza No. 19 Fa Yuen Street, Mongkok, Kowloon	Residential	28,112	100%	Medium

6. SUBSEQUENT FINANCIAL STATEMENTS

Consolidated financial statements have been prepared for Po Cheong for the ten month period ended 31 January, 2004.

Save as disclosed above, no audited financial statements of the Group, the Company nor any subsidiaries have been prepared in respect of any period subsequent to 31 March, 2003.

7. WORKING CAPITAL

Taking into account the plans and future prospects for the Group discussed in the section headed “Review of operations and prospects” set out on pages 13 and 14 of this Prospectus, the Directors are of the opinion that, with the internal resources, existing banking facilities available and expected net proceeds from the Rights Issue, the Group has sufficient working capital for its day to day operations.

8. INDEBTEDNESS

At the close of business on 30 April, 2004, being the latest practicable date for ascertaining this indebtedness prior to the printing of this Prospectus, the Group had in aggregate outstanding bank loans of approximately HK\$279.81 million of which approximately HK\$236.54 million were secured by certain properties of the Group. In addition, the Group had outstanding at that date obligations under finance leases of approximately HK\$0.04 million. As at 30 April, 2004, the Group had contingent liabilities in respect of outstanding bills discounted with recourse of approximately HK\$2.41 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 30 April, 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

1. UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS VALUE

The following pro forma statement of unaudited adjusted consolidated net tangible assets is based on the unaudited consolidated net tangible assets of the Group as at 30 September, 2003, as shown in the “Interim Results” set out in appendix I to this Prospectus and adjusted as below. It has been compiled for illustrative purposes and, because of its nature, may not give an indication of the net tangible assets of the Group.

Unaudited consolidated net tangible assets as at 30 September, 2003	Estimated net proceeds from the Rights Issue	Unaudited adjusted consolidated net tangible assets	Unaudited adjusted consolidated net tangible assets per Share immediately after the completion of the Rights Issue
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
581,095	47,500	628,595	0.475

Notes:

- (a) The calculation of the adjusted net tangible assets value per Share is based on 1,323,673,386 Shares expected to be in issue immediately after the Rights Issue.
- (b) As jointly announced by the Company and Asia Alliance on 5 March, 2004 and 21 April, 2004, an agreement dated 5 March, 2004 was entered into between Easyknit International Trading Company Limited (a wholly-owned subsidiary of the Company) as vendor and Best Ability Limited (a wholly-owned subsidiary of Asia Alliance) as purchaser in relation to the sale and purchase of the entire issued share capital of Po Cheong for an aggregate consideration of HK\$65 million. The Company recognised a gain of approximately HK\$30 million upon completion of the disposal of Po Cheong. The adjusted net tangible assets and the adjusted net tangible assets per Share as shown above do not take into account the gain of approximately HK\$30 million on the disposal. The adjusted net tangible assets and the adjusted net tangible assets per Share would have been increased if the effect of the disposal of Po Cheong is taken into account.

**2. REPORT ON PRO FORMA FINANCIAL INFORMATION RELATING TO
UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS VALUE**

德勤 • 關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
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香港中環干諾道中 111 號
永安中心 26 樓

**Deloitte
Touche
Tohmatsu**

7 June, 2004

The Directors
Easyknit International Holdings Limited

Dear Sirs,

We report on the pro forma statement of unaudited adjusted consolidated net tangible assets value (the “Pro Forma Financial Information”) set out in Section 1 of Appendix II to the prospectus dated 7 June, 2004 (the “Prospectus”) issued by Easyknit International Holdings Limited (the “Company”) in connection with the proposed rights issue of 441,224,462 rights shares of HK\$0.10 each at HK\$0.11 per rights share payable in full upon acceptance on the basis of one rights share for every two shares held (the “Rights Issue”), which has been prepared, for illustrative purposes only, to provide information about how the Rights Issue might have affected the Pro Forma Financial Information presented.

Responsibilities

It is the responsibilities solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”).

It is our responsibility to form an opinion, as required by the Hong Kong Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

Because our work does not constitute an audit or a review made in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, we do not express any such assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information has been compiled on the basis set forth in the first paragraph of this report for illustrative purposes only and, because of its nature, it may not be indicative of the net tangible assets value of the Company and its subsidiaries (hereinafter together with the Company referred to as the “Group”) as at 31 March, 2003 or at any future date.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29 of Chapter 4 of the Hong Kong Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

A. Interests in the Company

1. *Interests in issued Shares*

Name of Director	Nature of interest	Number of issued Shares	Approximate percentage of interest
Koon Wing Yee (<i>Note</i>)	Interest of spouse	324,216,452	36.74%
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	324,216,452	36.74%
Tsang Yiu Kai	Beneficial owner	98,175	0.01%

Note: These Shares were registered in the name of and were beneficially owned by Magical Profits, which was wholly-owned subsidiary by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 324,216,452 Shares by virtue of the SFO.

2. *Interests in unissued Shares*

Name of Director	Nature of interest	Number of unissued Shares	Approximate percentage of interest
Koon Wing Yee (<i>Note</i>)	Interest of spouse	162,108,226	36.74%
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	162,108,226	36.74%

Note: These are the Rights Shares which Magical Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Magical Profits was interested in approximately 36.74% of the issued share capital of the Company which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 162,108,226 Rights Shares by virtue of the SFO.

B. Interests in associated corporations

1. *Asia Alliance*

Name of Director	Nature of interest	Number of shares	Approximate percentage of interest
Koon Wing Yee (<i>Note</i>)	Interest of spouse	128,259,324	35.93%
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	128,259,324	35.93%

Note: 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 was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 128,259,324 shares by virtue of the SFO.

2. *Wellmake Investments Limited (“Wellmake”) (Note)*

Name of Director	Nature of interest	Number of non-voting deferred share	Approximate percentage of interest
Koon Wing Yee	Beneficial owner	1	50%
Lui Yuk Chu	Beneficial owner	1	50%

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such

provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as publicly disclosed, none of the Directors is interested in any assets which have been since 31 March, 2003 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed in the section headed “Material Contracts” in this appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contracts with any member of the Group, save for the contracts which will expire or are terminable by the employer within one year without payment of compensation, other than statutory compensation.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (the “Substantial Shareholders”) (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such shares are set out below:

A. Interests in issued Shares

Name of substantial Shareholder	Nature of interest	Number of issued Shares	Approximate percentage of interest
Magical Profits <i>(Note)</i>	Beneficial owner	324,216,452	36.74%
Accumulate More Profits Limited <i>(Note)</i>	Interest of controlled corporation	324,216,452	36.74%
Newcourt Trustees Limited <i>(Note)</i>	Trustee	324,216,452	36.74%

Note: These Shares were registered in the name of and were beneficially owned by Magical Profits, which was a wholly-owned subsidiary of Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members).

B. Interests in unissued Shares

Name of substantial Shareholder	Nature of interest	Number of unissued Shares
Magical Profits (<i>Note a</i>)	Beneficial owner	162,108,226
Accumulate More Profits Limited (<i>Note a</i>)	Interest of controlled corporation	162,108,226
Newcourt Trustees Limited (<i>Note a</i>)	Trustee	162,108,226
Get Nice Holdings Limited (<i>Note b</i>)	Interest of controlled corporation	323,116,236
Honeylink Agents Limited (<i>Note b</i>)	Interest of controlled corporation	323,116,236

Notes:

- (a) These are the Rights Shares which Magical Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Magical Profits was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members).
- (b) These are the Rights Shares which the Underwriter has underwritten in respect of the Rights Issue. The Underwriter is wholly-owned by Get Nice Incorporated. Honeylink Agents Limited and its non-wholly owned subsidiary, Get Nice Holdings Limited, through its wholly-owned subsidiary, Get Nice Incorporated, are deemed to be interested in the Underwriter's interest in the Company by virtue of the SFO. Mr. Hung Hon Man is the beneficial owner of Honeylink Agents Limited.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this Prospectus and are or may be material:

- (a) an underwriting agreement dated 15 July, 2002 entered into between the Company, Get Nice Capital Limited, the Underwriter, Sun Growth Securities Limited and Cheer Union Securities Limited in relation to the underwriting in respect of a rights issue at a price of HK\$0.12 per Share of HK\$0.1 each in the capital of the Company;
- (b) an agreement dated 24 January, 2003 entered into between Asia Pacific Growth Fund III, L.P., i100 Capital Corporation and i100 Holdings Corporation as vendors, Landmark Profits Limited (a wholly-owned subsidiary of the Company) as purchaser, the Company as purchaser guarantor and Mr. Cheuk Ho Yeung, Gerald, Mr. Kan Siu Kei, Laurie and Mr. Vong Tat Jeong, David (collectively as vendors' guarantors) in relation to the sale and purchase of the 609,000,000 shares of HK\$0.01 each in the capital of Asia Alliance for an aggregate consideration of HK\$6.09 million;

- (c) a facility letter dated 24 January, 2003 entered into between Asia Alliance and Planetic International Limited (a wholly-owned subsidiary of the Company) (“Planetic”) in relation to the granting of the Easyknit Loan by the Company through Planetic to Asia Alliance;
- (d) an escrow agreement dated 24 January, 2003 entered into between Asia Alliance, Planetic and Messrs. Simmons & Simmons as escrow agent relating to the Easyknit Loan pursuant to the loan facility letter dated 24 January, 2003 (as referred to in paragraph (c) above);
- (e) an agreement dated 15 January, 2004 entered into between the Company as vendor, Fairworld Investments Limited as purchaser and Mr. Chen Tien Tui as warrantor relating to the sale and purchase of 100,000,000 shares of HK\$0.01 each in the capital of CITIC 21CN for an aggregate consideration of HK\$84 million;
- (f) an agreement dated 5 March, 2004 entered into between Best Ability Limited as purchaser and Easyknit International Trading Company Limited (a wholly-owned subsidiary of the Company) as vendor in relation to the sale and purchase of the entire issued share capital of Po Cheong for an aggregate consideration of HK\$65 million;
- (g) a deed of release dated 5 March, 2004 issued by the Company in favour of Po Cheong in relation to the release and discharge of a loan extended by the Company to Po Cheong in the sum of HK\$19,236,185.14 as at 31 December, 2003; and
- (h) the Underwriting Agreement.

5. LITIGATION

On 19 November, 2001, Mark Profit Development Limited (a wholly-owned subsidiary of the Company), commenced an action against Mr. Lee Chun Fat and Lee Mark & Associates Architects & Surveyors Limited for a claim for professional negligence relating to a redevelopment project in Fa Yuen Street. The amount of the claim is approximately HK\$103,000,000 plus interest.

On 16 August, 2002, Easyknit Properties Holdings Limited, Mark Profit Development Limited and Grand Profit Development Limited (all of which are wholly-owned subsidiaries of the Company) commenced an action against Mr. Chau Chok Ming, a former employee of the Group, for the alleged unauthorised acceptance of commission and/or personal advantages from his services to the above mentioned plaintiffs. The aggregate amount of the claims is approximately HK\$105,000,000 plus interest.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there is no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that, save as publicly disclosed, there has not been any material adverse change in the financial or trading position of the Group since 31 March, 2003, being the date to which the latest published audited accounts of the Group were made up.

7. LEGAL EFFECT

The Prospectus, the PAL and the EAF, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all the provisions, other than the penal provisions, of sections 44A and 44B of the Companies Ordinance, so far as applicable.

8. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$1.0 million and are payable by the Company.

9. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this Prospectus having attached thereto the PAL and EAF and the written consent of Deloitte Touche Tohmatsu has been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance.

A copy of this Prospectus has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended).

10. EXPERT

The following is the qualification of the expert who has been named in this Prospectus or has given its opinion or advice which is contained in this Prospectus:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Deloitte Touche Tohmatsu do not have any direct or indirect interests in any assets which have been, since 31 March, 2003 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Deloitte Touche Tohmatsu have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of their report and the references to their name in the form and context in which they appear.

11. MISCELLANEOUS

The English texts of this Prospectus, the PAL and the EAF shall prevail over the Chinese texts in the case of any inconsistency between the two texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong up to and including Thursday, 24 June, 2004:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Underwriting Agreement;
- (c) the letter of consent referred to in the paragraph headed "Expert" above;
- (d) the accountants' report on pro forma financial information relating to unaudited adjusted consolidated net tangible assets value;
- (e) the circular dated 4 February, 2004 relating to a discloseable transaction on disposal of shares in CITIC 21CN;
- (f) the unaudited interim financial statements of the Company for the six months ended 30 September, 2003;
- (g) the audited financial statements of the Company for each of the two years ended 31 March, 2003; and
- (h) the material contracts referred to in the section headed "Material Contracts" of this appendix.

EXPECTED TIMETABLE FOR RIGHTS ISSUE IN SINGAPORE

2004

Latest time and date for determining depositors' entitlements to Rights Issue	5:00 p.m. on Tuesday, 25 May
Prospectus Documents despatched to persons holding Shares through CDP	Monday, 7 June
Dealings in the nil-paid Rights Shares	Monday, 7 June to Tuesday, 8 June
Latest time and date for payment for and acceptance of Rights Shares	4:45 p.m. on Monday, 14 June (for acceptance through CDP) 9:30 p.m. on Monday, 14 June (for acceptance through automated teller machines of participating banks)
Latest time and date for the Rights Issue and Underwriting Agreement to become unconditional	4:00 p.m. on Thursday, 24 June
Announcement of results of acceptances and excess applications in the Rights Issue	Friday, 25 June
Despatch of certificates for Rights Shares on or before	Friday, 25 June
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess application	Friday, 25 June
Dealings in fully-paid Rights Shares on the SGX-ST commences	Wednesday, 30 June

Investors should be aware that Singapore nil-paid rights cannot be traded in Hong Kong and Hong Kong nil-paid rights cannot be traded in Singapore.

Persons holding the Shares through CDP should receive a letter from CDP relating to the Rights Issue and should refer to that letter for, inter alia, the procedures for application of the Rights Shares.

DEALINGS AND SETTLEMENT IN SHARES ON THE SGX-ST**Dealings, brokerage and fees on the SGX-ST**

1. Dealings in the Shares on the SGX-ST are conducted in Hong Kong dollars. The Shares are traded in board lots of 5,000 Shares.
2. The brokerage commission in respect of trades of the Shares on the SGX-ST is negotiable.
3. A Singapore clearing fee is payable at the rate of 0.05 per cent. of the transaction value (up to a maximum of S\$200 per transaction). Clearing fees may be subject to the Goods and Services Tax in Singapore.

Settlement of dealings in Singapore

1. In accordance with the bye-laws of the SGX-ST relating to settlement of dealings on the SGX-ST, it is mandatory for dealings on the SGX-ST to be effected through CDP on a scripless basis. The settlement will take place on the third Business Day following the date of transaction (“Due Date”) or in the event that the Due Date falls on a public holiday, the settlement will take place on the next Market Day immediately after the Due Date.
2. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a Securities Account with CDP or a sub-account with any Depository Agent. A Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company. A non-resident investor must, however, maintain a sub-account with a Depository Agent unless he can appoint a local agent to handle his entitlements.
3. Investors should ensure that the Shares to be dealt in on the SGX-ST are credited to their Securities Accounts or sub-accounts with Depository Agents before dealing in the Shares since no assurance can be given that the Shares can be transferred to CDP in time for settlement if the transfer is effected following a dealing. If settlement cannot be effected on the Due Date following a dealing having been effected on the SGX-ST, the buy-in procedures of the SGX-ST will be implemented.
4. Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of the Rights Shares or Shares (as the case may be). It is emphasised that the Company, the Directors and all other persons involved in the Rights Issue accept no responsibility for any tax effects on, or liabilities of, Shareholders resulting from the subscription, purchase, holdings or disposal of the Rights Shares or Shares (as the case may be).

Ongoing transfer procedures

1. *Transfer of Shares to CDP*

Citibank, N.A. Singapore is the CCASS Participant appointed by CDP to hold the Shares in CCASS. An investor whose Shares are held in Hong Kong and who wishes to trade his Shares on the SGX-ST must have his Shares transferred into his Securities Account with CDP. If the investor is holding shares certificate(s), he may deposit the share certificate(s) with his own CCASS Participant and instruct the CCASS Participant to transfer the holdings to Citibank, N.A. Singapore for the account of CDP.

If the Shares to be transferred to CDP are already held in CCASS, the investor will only need to instruct his CCASS Participant to transfer the Shares to Citibank, N.A. Singapore for the account of CDP.

The investor has to simultaneously submit the duly completed CDP Form 29A.3 to CDP through his Depository Agent or member company, together with a fee prescribed in CDP Form 29A.3. In the event that the investor maintains a sub-account with a Depository Agent, the CDP Form 29A.3 will be completed by the Depository Agent on his behalf.

Having verified that the CDP Form 29A.3 has been correctly completed, CDP will instruct Citibank, N.A. Singapore to acknowledge the receipt of the Shares in CCASS. Upon notification by Citibank, N.A. Singapore of the receipt of the Shares, CDP will accordingly credit the investor's Securities Account with the relevant number of Shares and notify the investor accordingly.

2. *Transfer of Shares out of CDP*

An investor may transfer his Shares out of CDP to Hong Kong if he wishes to trade on the Stock Exchange. To effect the transfer, the Depository Agent or member company on behalf of the investor has to submit the duly completed CDP Form 29B.3 to CDP together with a fee prescribed in CDP Form 29B.3. Having verified that the CDP Form 29B.3 has been correctly completed, CDP will debit the investor's Securities Account for the relevant number of Shares and notify the investor accordingly. After the debit, CDP will instruct Citibank, N.A. Singapore to transfer the Shares to the CCASS Participant indicated by the investor.

The investor has to simultaneously instruct his CCASS Participant to expect receipt of the number of Shares specified by Citibank, N.A. Singapore.

Time needed for transfer of Shares

Barring unforeseen circumstances, the transfer of Shares in and out of CDP will take three Market Days to complete, after the duly completed documentation is submitted to CDP for processing and proper instructions are given by the investor to his CCASS Participant. **It must be noted that Instructions received by CDP after 10:00 a.m. on a given Market Day will be considered as a request made on the next Market Day and will be processed on the next Market Day.**