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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Easyknit International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

**POSSIBLE VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO  
THE POSSIBLE ACQUISITION OF A PROPERTY**

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A notice convening a special general meeting of Easyknit International Holdings Limited to be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 30 November 2007 at 9:00 a.m. is set out on pages 120 to 121 of this circular. There is a form of proxy for use at the special general meeting accompanying this circular. Whether or not you are able to attend and vote in person at such meeting, you are advised to read the notice and complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and return it to the Company's head office and 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

\* *For identification only*

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 31 October 2007 concerning the Possible Acquisition
“associate”	the meaning ascribed thereto under the Listing Rules
”Auction”	the auction of the Property by order of the court on an “as-is” basis and with vacant possession for the vacant portion and subject to existing tenancies for the tenanted portion to be held on 30 November 2007 but includes any replacement thereof or alternative thereto including but not limited to any tender for the Property or purchase of the Property by private treaty
“Auctioneers”	Jones Lang LaSalle Limited
“Board”	the board of Directors
“Bye-Laws”	the Bye-Laws of the Company
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Conditions of Sale”	the conditions of sale of the Property at the Auction
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	9 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Possible Acquisition”	the acquisition by the Company of the Property at Auction, if the bid by the Company is successful

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## DEFINITIONS

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“Property”	Tai Sang Commercial Building at Nos. 24-34 Hennessy Road, Wan Chai, Hong Kong
“Registered Owners”	the registered owners of the Property according to a Land Office search commissioned by the Company, being Champion Hennessy Limited, Ma Ching Leong Daniel, Ma Ching Tsun, Ma Ching Hung, Ma Ching Chung, Kam Chan & Company Limited, Ma Lee Sau Chun, Ma Lo Chiu Pun, Ma Ching Kui, Ma Ching Fai Bernard, Heptacontinental Continuation Limited and Ma Kam Ming Company Limited
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company notice of which is set out at the end of this circular to consider and, if thought fit, approve the Possible Acquisition
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## LETTER FROM THE BOARD

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### EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

*Executive Directors:*

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

*Independent Non-executive Directors:*

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

*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

15 November 2007

*To the Shareholders*

Dear Sir or Madam,

### **POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE POSSIBLE ACQUISITION OF A PROPERTY**

#### **INTRODUCTION**

The Company made the Announcement about the Possible Acquisition.

The purpose of this circular is to provide you with further information on, among other things, the Possible Acquisition, the valuation report on the Property, notice convening the SGM and related information required by the Listing Rules.

#### **THE POSSIBLE ACQUISITION**

The Company plans, itself or through a wholly-owned subsidiary, to bid at the Auction for the Property. The total consideration for the Possible Acquisition if the bid is successful may be up to HK\$1,200,000,000 being the maximum price which the Company is willing to consider paying. This

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## LETTER FROM THE BOARD

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price was determined after a consideration by the Company of its own perception and the prospects of the property market in Hong Kong. The mandate sets a maximum price of HK\$1,200,000,000 to allow for a 25% margin on the valuation price to cater for any change in the property market between now and the auction date.

The Company is unable to indicate more precisely the price it may bid and be required to pay if its bid is successful as that will depend on amongst other things the Company's perception of the Hong Kong property market and its prospects at the date of the Auction as well as the bids made by competitors at the Auction. It also does not wish to let any prospective competitor know the Company's exact valuation figure.

If the Company's bid is successful the Possible Acquisition will be financed partly by bank financing, to be arranged, and partly in cash from internal resources of the Company. If the Directors are not satisfied that appropriate financing will be available to the Company above a given price it will not bid at or above that price.

### INFORMATION ON THE PROPERTY

The Property is Tai Sang Commercial Building, completed in 1977. It is a 28-storey (plus one level of basement) en-bloc commercial building at Nos. 24-34 Hennessy Road, Wan Chai, Hong Kong close to Pacific Place in Admiralty with three street frontages onto Hennessy Road, Anton Street and Landale Street. The ground floor and the basement are dedicated for shops use, while the upper floors accommodate office units. Its gross area is approximately 185,447 sq. ft. It is being offered for sale at the Auction on an "as-is" basis and with vacant possession for the vacant portion and subject to existing tenancies for the tenanted portion. No warranties are given by the vendor(s) of the Property.

#### *Particulars of the Property*

##### 1. The Property

The Property is ALL THOSE pieces or parcels of ground respectively registered in the Land Registry as MARINE LOT NO.23, THE REMAINING PORTION OF INLAND LOT NO.2244 and THE REMAINING PORTION OF INLAND LOT NO.2245 Together with the messuages erections and buildings thereon now known as TAI SANG COMMERCIAL BUILDING, NOS.24-34 HENNESSY ROAD, HONG KONG.

##### 2. The Government Leases

###### (a) *MARINE LOT NO.23*

Date:	10 January 1918
Parties:	King George V of the one part and The Hong Kong Land Investment and Agency Company Limited of the other part
Term:	999 years commencing from 9 July 1844

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## LETTER FROM THE BOARD

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(b) *INLAND LOT NO.2244*

Date: 10 January 1918

Parties: King George V of the one part and The Hong Kong Land Investment and Agency Company Limited of the other part

Term: 999 years commencing from 9 July 1844

(c) *INLAND LOT NO.2245*

Date: 10 January 1918

Parties: King George V of the one part and The Hong Kong Land Investment and Agency Company Limited of the other part

Term: 999 years commencing from 9 July 1844

### VALUE AND CONSIDERATION

The value of the Property has been estimated at HK\$950,000,000 by Vigers Appraisal & Consulting Limited, an independent property valuer, but the basis upon which the consideration will be determined if the Possible Acquisition proceeds will depend on amongst other things the Company's perception of the Hong Kong property market and its prospects at the date of the Auction as well as the bids made by competitors at the Auction.

### FINANCIAL INFORMATION ON THE PROPERTY

Apart from the limited information which is publicly available, the Company does not have access to any other financial information in relation to the Property. The Company was given access, at the offices of the Vendor(s)' solicitors, to 37 of the 48 existing leases and tenancy agreements in relation to the Property as provided by the Vendor(s)' solicitors. The Company has not been allowed access to the underlying books and records of the Vendor(s) regarding the Property and accordingly the Company is unable to provide all the relevant financial information as required under Rules 14.58(7) and 14.69(4)(b). The Company has therefore requested the Stock Exchange for a waiver from strict compliance with the requirements for the Company to include in the Circular the net profits attributable to the Property for the two preceding financial years, the profit and loss statement of the Property and the pro forma profit and loss statement and net assets statement on the Group as required under Rules 14.58(7) and 14.69(4)(b).

Particulars of the tenancies/leases to which the Property is subject are set out in Appendix II to this circular which has been prepared by the Directors based on the information provided by the Auctioneers and procedures have been undertaken by the auditor of the Company in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants to compare certain details, e.g. name of tenant, duration of the lease and monthly rental to those tenancy or lease agreements that were made available by the Vendor(s)' solicitors. With respect to the aforesaid procedures that were performed, the auditor found that particulars of the items selected were in agreement with the information provided by the Auctioneers.

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## LETTER FROM THE BOARD

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### CONDITIONS OF SALE

The Conditions of Sale (the “Conditions”) contain terms to the following effect:

Subject to a reserve price, the highest approved bidder allowed by the Auctioneers shall be the purchaser (the “Purchaser”). The Auctioneers have the right to refuse any bid. The Purchaser must complete and sign a memorandum of agreement on the date of the Auction (an “Agreement”).

Immediately after the signing of the Agreement, the Property shall be at the sole risk and responsibility of the Purchaser. Should the Purchaser fail to pay all or part of the purchase price or to observe or comply with any terms and conditions of the Agreement, the vendor(s) of the Property (the “Vendor(s)”) may determine the Agreement.

The Purchaser will be required to pay a deposit of HK\$38 million at the Auction. A further sum amounting (together with the deposit) to 10% of the price bid must be paid on or before 7 December 2007. The balance will be payable on 15 January 2008, when completion of the purchase is to take place. All stamp duty and registration fees on transfer of the Property are to be paid by the Purchaser.

The Property is offered for sale subject to a reserve price to be determined by a valuer in accordance with the court order made by Deputy High Court Judge To in Chambers dated 14 September 2007 under HCMP 1840 of 2005.

Upon payment of the full purchase price, the Vendor(s) will execute to the Purchaser a good assignment of the Property subject as stated in the Conditions and/or specified in the particulars of the Property but otherwise free from incumbrances.

Possession of the Property will be retained, rents and profits will be received and all outgoings will be discharged by the Vendor(s) to completion and as from that day possession and the rents and profits will be taken and all outgoings in respect of the Property will be discharged by the Purchaser and all current rents and profits and outgoings shall if necessary be apportioned between the Vendor(s) and Purchaser and paid on completion.

The Purchaser must assume that all premium (if any) and Government rent under the Government lease under which the Property is held and all rates and property tax (if any) payable on the Property have been duly paid and that all the covenants and conditions contained in the Government Lease have been observed and complied with.

The Property will be assigned subject to and with the benefit of all tenancies, easements and quasi-easements and rights of adjoining owners (if any) affecting it; and subject to the covenants and conditions contained in the Government lease and subject to all rights affecting it and to the payment of the Government rent and premium (if any). The Vendor(s) shall sell a legal estate in the Property in so far as the Vendor’s interest in the Property is a legal estate and an equitable interest in the Property in so far as the Vendor(s)’ interest in the Property is an equitable interest.



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## LETTER FROM THE BOARD

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No warranty is given by the Vendor(s) as to the area of the Property. The Vendor(s) shall not be required to produce any deeds, instruments or writings whatsoever whether or not relating exclusively to the Property not in its custody or possession. The Purchaser shall not make any objection on the ground that any deed or instrument of title affecting the Property or any part thereof was executed under a power of attorney.

All title deeds and documents executed by a corporation (whether incorporated in Hong Kong or otherwise) shall be deemed to be duly executed and binding and enforceable against that corporation.

The Property will be sold on an “as is” basis. The Purchaser will purchase the Property subject to any direction(s), notice(s) and/or order(s) which existed prior to the Auction or which may be issued on or before the actual date of completion from the Government.

The Purchaser acknowledges and accepts that certain erections, alterations, additions, partitions and/or divisions have been or will be made in, on, to or appertaining to the Property, and the Purchaser agrees not to raise any requisition or objection.

The Purchaser is also advised and is fully aware that certain conversions, erections, demolition, alterations and partitions may have been made to the Property; there are or may be discrepancies between the existing layouts, partitionings and uses of the Property and those shown on the assignment plans (if any) and/or plans (if any) annexed to the title documents of the Property and/or the approval plans relating to the Property. The Purchaser acknowledges that it is fully aware of the permitted uses of the Property and is satisfied that it is suitable for the Purchaser’s own need.

The Purchaser shall on completion pay to and reimburse the Vendor(s) all utility deposits, if any, paid by the Vendor(s) in respect of the Property, including but not limited to water and electricity deposits.

If the Purchaser makes default in the payment of any money or any part thereof to be payable to the Vendor(s) by any due date, the Purchaser must pay interest at the rate of two per cent (2%) per annum over the best lending rate from time to time of The Hongkong and Shanghai Banking Corporation Limited.

Assignments and sub sales of the Property are not permitted before completion.

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## LETTER FROM THE BOARD

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### THE AUCTION

The Property is to be sold by order of the court by public auction at 3:00 pm on 30 November 2007. The Auctioneers are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company, its subsidiaries and their respective associates. The Auction is open to the public and anybody may bid at it.

The Company understands that the bidding process at the Auction will be fully in accordance with normal market practice. Bidding will be open with bidders making open bids for the Property in full view of each other and with each bid being immediately known to all participants, as in a Government land auction, in a process regulated by the auctioneer and on the terms ordered by the courts of Hong Kong. The Company believes that the terms of the Auction are entirely consistent with market practice for court-ordered sales by auction.

The Property will have a reserve price, which is to be determined by a valuer in accordance with the court order made by Deputy High Court Judge To in Chambers dated 14 September 2007 under HCMP 1840 of 2005 and will be sold if the bid price is higher than or equal to the reserve price. The Company does not know the reserve price nor when it will be determined.

### REASONS FOR THE PROPOSED MANDATE

If the Company's bid is successful it will thereupon become unconditionally obliged to buy the Property and will not be able at the time to seek the approval of Shareholders if as a result of the price payable by the Company that is required under chapter 14 of the Listing Rules. Accordingly the Directors are seeking in advance of the Auction a mandate to bid for the Property and, if the bid is successful, to acquire the Property.

### INFORMATION ON THE GROUP

The Group carries on the principal businesses of garment sourcing and export, property investment and development, investment in securities and loan financing.

### INFORMATION ON PROPERTIES OWNED BY THE GROUP

The current registered owners of all the properties held by the Group for investment and for future development in Hong Kong as disclosed in the valuation certificate set out in Appendix IV of this circular, namely Wellmake Investments Limited, Janson Properties Limited, Golden Top Properties Limited, Mark Profit Development Limited and Happy Light Investments Limited, are all wholly-owned subsidiaries of the Group.

In relation to the property being held by the Group for future development in Hong Kong, as disclosed at number nine of the valuation certificate set out in Appendix IV of this circular, an architectural plan has been submitted for approval by the Buildings Department and no planning consent has yet been obtained. The site is zoned as "Residential (Group A)" site under the town planning requirements with a plot ratio of nine times. There are no conditions imposed on this site as to construction of roadways, pathways, drainage, sewage and other facilities or services for public use.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Directors of the Company consider that the Possible Acquisition will enhance the property investment and development business of the Company. The Property is located in one of the main commercial areas in Hong Kong. In view of the huge demand for commercial offices and the advantages of the well developed business infrastructure in the area, the Company proposes to seek to acquire the Property for investment. The Directors believe that the Possible Acquisition is in the interests of the Company and the Shareholders as a whole and the terms and conditions of the Conditions of Sale are fair and reasonable. The Directors do not intend to change the use of the Property, and intend that it will remain a mixed use commercial building.

Given the open nature of the bidding process in the Auction, the publicly available information about the Property and the transparent nature of the Hong Kong property market, the Directors are satisfied that they have all information necessary to make a properly-informed bid at the Auction.

### EFFECT ON EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

Assuming that the Group successfully acquires the Property at its maximum price of HK\$1,200 million, in addition to bank borrowing of half of the Property price and use of available cash reserves, the Group will sell assets to finance the acquisition. The effect on the assets and liabilities of the Group is that (i) cash and bank balances will be decreased by approximately HK\$400 million; (ii) assets will be decreased by approximately HK\$200 million; (iii) bank borrowings will be increased by approximately HK\$600 million; and (v) investment properties will be increased by approximately HK\$1,200 million.

As the completion of the purchase of the Property, if the Possible Acquisition proceeds, is to take place on 15 January 2008, the Possible Acquisition will contribute rental income of approximately HK\$3.5 million to the earnings of the Group for the year ending 31 March 2008. The Directors are of the view that rental income from the Property will increase gradually as the current rentals are severely below market rates and the Group intends to bring the rentals back to market rates when the existing tenancies expire.

### INFORMATION ON THE VENDOR(S) OF THE PROPERTY

The public information about the Auction does not specify the identity of the Vendor(s) but according to a Land Office search commissioned by the Company the Registered Owners of the Property are Champion Hennessy Limited, Ma Ching Leong Daniel, Ma Ching Tsun, Ma Ching Hung, Ma Ching Chung, Kam Chan & Company Limited, Ma Lee Sau Chun, Ma Lo Chiu Pun, Ma Ching Kui, Ma Ching Fai Bernard, Heptacontinental Continuation Limited and Ma Kam Ming Company Limited. To the best of the knowledge of the Directors having made all reasonable enquiries, the Vendor(s), the Registered Owners and the respective ultimate beneficial owners of the Vendor(s) and the Registered Owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company, its subsidiaries and their respective associates (as defined in the Listing Rules).

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## LETTER FROM THE BOARD

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### GENERAL

Based on the “five-tests” calculation set out in rule 14.07 of the Listing Rules and the applicable percentage ratios in respect of the Possible Acquisition, depending on the price paid, the applicable percentage ratios may exceed 100%. The Possible Acquisition is likely to constitute at least a major transaction under rule 14.06(3) of the Listing Rules and may constitute a very substantial acquisition of the Company under rule 14.06(5) of the Listing Rules and therefore requires shareholders’ approval under rule 14.40 or 14.49 of the Listing Rules.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders have a material interest in the Possible Acquisition and accordingly, no Shareholder is required to abstain from voting on the resolutions to approve the Possible Acquisition and the transactions contemplated therein at the SGM.

**As the Possible Acquisition is a possibility only and may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

### SGM

A notice convening an SGM of the Company to be held at 9:00 a.m. on 30 November, 2007 at Unit A, 7th Floor, Hong Kong Spinners Buildings Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong is set out on pages 120 to 121 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s head office and 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 as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

### PROCEDURE FOR DEMANDING A POLL AT A GENERAL MEETING OF THE COMPANY

Pursuant to Bye-Law 70 of the Bye-Laws of the Company and Rule 13.39(3) of the Listing Rules, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

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## LETTER FROM THE BOARD

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- (iv) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at the meeting.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

### RECOMMENDATION

The Directors believe that the Possible Acquisition is in the interests of the Company and the Shareholders as a whole and the terms and conditions of the Conditions of Sale are fair and reasonable. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Possible Acquisition.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of  
**Easyknit International Holdings Limited**  
**Tse Wing Chiu, Ricky**  
*President and Chief Executive Officer*

\* *For identification only*

## 1. FINANCIAL SUMMARY OF THE GROUP

The following financial summary has been extracted from the audited consolidated financial statements of the Group for the three years ended 31 March 2007 as published in the 06/07 and 05/06 annual reports of the Company. No qualified opinions were issued by the Company's auditor for any of the three years ended 31 March 2007.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March 2007*

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>
Turnover	557,737	489,715	590,001
Cost of sales	<u>(454,276)</u>	<u>(400,355)</u>	<u>(461,181)</u>
Gross profit	103,461	89,360	128,820
Other income	14,722	9,386	5,127
Distribution costs	(14,526)	(12,689)	(20,873)
Administrative expenses	(50,868)	(49,459)	(55,345)
Gain arising on change in fair value of investment properties	7,370	189,730	—
Reversal of deficit arising on revaluation of investment properties	—	—	140,690
Gain on fair value changes of investments held for trading	1,199	12	—
Unrealised gain on other investments	—	—	158,579
Impairment loss on available-for-sale investments	(121,465)	—	—
Impairment loss on loans receivable	(2,160)	—	—
Impairment loss on trade and other receivables	(20)	(33,513)	(4,215)
Loss on disposal of available-for-sale investments	(43,027)	—	—
Loss on disposal of investment properties	—	(1,136)	—
Gain on disposal of subsidiaries	—	—	14,149
Share of results of associates	(4,125)	(4,548)	2,876
Finance costs	<u>(31)</u>	<u>(4,609)</u>	<u>(3,566)</u>
(Loss) profit before taxation	(109,470)	182,534	366,242
Taxation	<u>(6,127)</u>	<u>(9,683)</u>	<u>(17,773)</u>
(Loss) profit for the year attributable to equity holders of the Company	<u><u>(115,597)</u></u>	<u><u>172,851</u></u>	<u><u>348,469</u></u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED BALANCE SHEET***At 31 March 2007*

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i> <i>(Restated)</i>
<b>Non-current assets</b>			
Property, plant and equipment	17,938	24,190	24,435
Properties held for re-development	156,283	—	—
Investment properties	606,170	589,700	619,970
Intangible asset	921	921	921
Interests in associates	60,590	62,887	15,729
Available-for-sale investments	84,830	93,987	—
Loans receivable	5,125	—	—
	<u>931,857</u>	<u>771,685</u>	<u>661,055</u>
<b>Current assets</b>			
Properties held for sale	7,228	14,426	21,624
Investments held for trading	41,566	3,600	—
Other investments	—	—	244,030
Inventories	9,866	7,766	2,423
Trade and other receivables	49,278	72,226	196,213
Loans receivable	43,255	66,053	71,875
Bills receivable	46,661	17,220	44,925
Tax recoverable	—	301	2,051
Bank balances and cash	343,353	174,580	83,901
	<u>541,207</u>	<u>356,172</u>	<u>667,042</u>
<b>Current liabilities</b>			
Trade and other payables	46,903	41,754	37,118
Bills payable	4,648	4,514	1,564
Tax payable	24,102	24,364	23,727
Obligations under finance leases — amount due within one year	—	—	18
Bank borrowings	—	3,819	120,986
Consideration repayable on disposal of subsidiaries	—	—	11,120
	<u>75,653</u>	<u>74,451</u>	<u>194,533</u>
<b>Net current assets</b>	<u>465,554</u>	<u>281,721</u>	<u>472,509</u>
	<u>1,397,411</u>	<u>1,053,406</u>	<u>1,133,564</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i> <i>(Restated)</i>
<b>Capital and reserves</b>			
Share capital	7,942	132,367	132,367
Reserves	<u>1,361,236</u>	<u>898,561</u>	<u>921,321</u>
	1,369,178	1,030,928	1,053,688
<b>Non-current liabilities</b>			
Bank borrowings — amount due after one year	—	—	66,363
Deferred taxation	<u>28,233</u>	<u>22,478</u>	<u>13,513</u>
	<u>28,233</u>	<u>22,478</u>	<u>79,876</u>
	<u><u>1,397,411</u></u>	<u><u>1,053,406</u></u>	<u><u>1,133,564</u></u>



## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained on pages 30 to 77 of the annual report of the Company for the year ended 31 March 2007.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March 2007*

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

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED BALANCE SHEET***At 31 March 2007*

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

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**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

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

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

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

**Notes:**

- (a) The capital reserve of the Group represents the credit arising from the reduction of the share capital of the Company in October 2006.
- (b) The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital and share premium of the companies now forming the Group pursuant to the group reorganisation prior to the listing of the Company's shares in 1995.
- (c) The contributed surplus of the Group represents the credit arising from the reduction of certain reserves of the Company in August 2004.
- (d) The property revaluation reserve of the Group represents the gain on revaluation of certain leasehold properties of the Group as a result of transfer of these leasehold properties from property, plant and equipment to investment properties in October 2006.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

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

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 1. GENERAL

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

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

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2008.



**3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Basis of consolidation**

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

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

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

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

**Interests in associates**

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

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

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

**Revenue recognition**

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

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

Service income is recognised when services are rendered.

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

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

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

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

#### **Borrowing costs**

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

#### **Property, plant and equipment**

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

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

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

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

**Investment properties**

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

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

**Properties held for re-development**

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

**Properties held for sale**

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

**Inventories**

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

**Financial instruments**

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

***Financial assets***

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

***Investments held for trading***

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

*Loans and receivables*

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

*Available-for-sale financial assets*

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

*Financial liabilities and equity*

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

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

*Other financial liabilities*

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

*Equity instruments*

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

**Derecognition**

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

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

**Intangible assets**

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

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

**Share-based payment transactions*****Equity-settled share-based payment transactions******Share options granted to employees of the Company***

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

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

**Impairment of intangible assets**

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

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

**Impairment (other than intangible assets)**

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

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

**Foreign currencies**

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

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

**Taxation**

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

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

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

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

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

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

**Leasing**

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

***The Group as lessor***

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

***The Group as lessee***

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

***Leasehold land and building***

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

**Retirement benefit scheme**

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

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

**Impairment allowance on loans receivable**

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

**5. FINANCIAL INSTRUMENTS****Financial risk management objectives and policies**

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

***Currency risk***

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

***Credit risk***

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

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

***Price risk***

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

***Interest rate risk***

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

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

**Fair value**

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

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

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



**6. TURNOVER**

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

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

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS

**Business segments**

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

Segment information about these businesses is presented below:

**Year 2007**(i) *Income statement*

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

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

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

 (ii) *Balance sheet*

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

 (iii) *Other information*

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

## Year 2006

(i) *Income statement*

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

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

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**(ii) *Balance sheet*

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

(iii) *Other information*

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Consolidated</b>
	<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	1,036	41	—	—	—	1,077
Depreciation of property, plant and equipment	782	532	—	—	—	1,314
Impairment loss on trade and other receivables	33,315	198	—	—	—	33,513
Impairment loss on inventories	<u>663</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>663</u>

**Geographical segments**

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

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

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

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

**8. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS**

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

**9. IMPAIRMENT LOSS ON TRADE AND OTHER RECEIVABLES**

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

## 10. FINANCE COSTS

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
— bank borrowings wholly repayable within five years	31	4,602
— obligations under finance leases	—	7
	<u>31</u>	<u>4,609</u>

## 11. (LOSS) PROFIT BEFORE TAXATION

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

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (a) Information regarding directors' emoluments

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

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

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

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

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



## (b) Information regarding employees' emoluments

The five highest paid individuals of the Group during the year included two (2006: three) executive directors.

The emoluments of the remaining three (2006: two) highest paid individuals, not being directors, are as follows:

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	<u>3,128</u>	<u>1,764</u>

The emoluments of these employees fall within the following bands:

	<b>Number of employees</b>	
	<b>2007</b>	<b>2006</b>
Nil to HK\$1,000,000	1	1
HK\$1,000,001 — HK\$1,500,000	<u>2</u>	<u>1</u>
	<u>3</u>	<u>2</u>

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

## 13. TAXATION

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

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

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

#### 14. DIVIDEND

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend paid for 2006 of nil HK cent (2005: 0.5 HK cent) per share	<u>—</u>	<u>6,618</u>

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

#### 15. BASIC (LOSS) EARNINGS PER SHARE

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

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings for the purposes of calculating basic (loss) earnings per share	<u>(115,597)</u>	<u>172,851</u>
	<b>2007</b>	<b>2006</b>
<i>Number of shares</i>		
Weighted average number of shares for the purposes of calculating basic (loss) earnings per share	<u>444,167,875</u>	<u>139,702,001</u>

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

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

#### 16. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Purchases of garments	48,017	135,420
Rental income	<u>601</u>	<u>472</u>

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Trade receivables	<u>—</u>	<u>16</u>

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

- (b) During the year, the Group provided administrative service to Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), an associate of the Group and a company in which Mr. Koon Wing Yee, a former director of the Company, and Ms. Lui Yuk Chu, a director of the Company, have beneficial interests, and received service income of HK\$240,000 (2006: HK\$240,000) from that company.
- (c) During the year ended 31 March 2006, an impairment loss on trade and other receivables of HK\$33,315,000 (2007: nil) was recognised by the Group in respect of the trade deposits to a company controlled by Mr. Louie Tsz Chung paid by the Group as a result of the voluntary liquidation of such company. Mr. Louie Tsz Chung is the nephew of Ms. Lui Yuk Chu, a director of the Company.

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

## (d) Compensation of key management personnel

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

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	<u>8,730</u>	<u>8,325</u>

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

## 17. PROPERTY, PLANT AND EQUIPMENT

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

*Notes:*

- (a) Owner-occupied leasehold land situated in Hong Kong is included in property, plant and equipment as the allocation between the land and buildings elements cannot be made reliably.
- (b) During the year ended 31 March 2007, the Group rented out certain of its leasehold properties to independent third parties for rental income. When there is a change in use, upon the transfer from property, plant and equipment to investment properties, these properties were revalued at fair value with a gain on revaluation of approximately HK\$2,521,000, which has been credited to the property revaluation reserve.

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

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

The carrying value of leasehold properties shown above comprises:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held on medium-term lease in Hong Kong	<u>14,834</u>	<u>21,879</u>

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

#### 18. PROPERTIES HELD FOR RE-DEVELOPMENT

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

## 19. INVESTMENT PROPERTIES

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

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

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

## 20. INTANGIBLE ASSET

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

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

## 21. INTERESTS IN ASSOCIATES

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

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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

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

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

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



**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

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

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

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

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

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

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

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

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

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

## 22. AVAILABLE-FOR-SALE INVESTMENTS

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong at market value	<u>84,830</u>	<u>93,987</u>

## 23. PROPERTIES HELD FOR SALE

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

## 24. INVESTMENTS HELD FOR TRADING

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong at market value	<u>41,566</u>	<u>3,600</u>

## 25. INVENTORIES

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	182	—
Work in progress	1,928	—
Finished goods	<u>7,756</u>	<u>7,766</u>
	<u>9,866</u>	<u>7,766</u>

## 26. TRADE AND OTHER RECEIVABLES

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	19,050	24,299
Deposits to suppliers	25,100	42,585
Other receivables	<u>5,128</u>	<u>5,342</u>
	<u>49,278</u>	<u>72,226</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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:

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	17,919	22,818
61 - 90 days	533	1,003
Over 90 days	<u>598</u>	<u>478</u>
	<u>19,050</u>	<u>24,299</u>

**27. LOANS RECEIVABLE**

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

**28. BILLS RECEIVABLE**

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

**29. BANK BALANCES AND CASH**

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

**30. TRADE AND OTHER PAYABLES**

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
0 - 60 days	28,927	26,009
61 - 90 days	2	2
Over 90 days	<u>155</u>	<u>152</u>
	<u><u>29,084</u></u>	<u><u>26,163</u></u>

**31. BILLS PAYABLE**

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

**32. BANK BORROWINGS**

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Discounted bills with recourse	—	3,117
Import loans	<u>—</u>	<u>702</u>
	<u><u>—</u></u>	<u><u>3,819</u></u>

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Within one year	<u><u>—</u></u>	<u><u>3,819</u></u>

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

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

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

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
U.S. dollars	<u>—</u>	<u>265</u>

### 33. SHARE CAPITAL

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

*Notes:*

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

- (b) 661,836,693 rights shares of HK\$0.10 each were allotted on 24 April 2006 at a subscription price of HK\$0.12 per rights share to the shareholders of the Company in the proportion of one rights share for every two existing shares then held. The Company raised approximately HK\$78,919,000 (net of directly attributable expenses of approximately HK\$502,000), which was used as partial payment for acquisition of properties at Victory Avenue. All shares issued rank pari passu with the then existing shares in issue in all respects.
- (c) 595,653,021 rights shares of HK\$0.01 each were allotted on 3 November 2006 at a subscription price of HK\$0.35 per rights share to the shareholders of the Company in the proportion of three rights shares for every existing share then held. The Company raised approximately HK\$207,139,000 (net of directly attributable expenses of approximately HK\$1,339,000), which will be used to expand the Group's property portfolio and for general working capital purpose. All shares issued rank pari passu with the then existing shares in issue in all respects.

#### 34. SHARE OPTION SCHEME

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

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

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

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

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

The offer of the grant of options must be accepted within 30 days from the date of offer with the payment of a nominal consideration of HK\$1. The exercise period of the share options is determined by the directors of the Company and shall not expire later than ten years from the date of offer. The subscription price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheets issued

by the Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer. Unless otherwise determined by the directors of the Company, there is no minimum period for which an option must be held before it can be exercised.

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

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

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

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

No share options were exercised or cancelled during both years.

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

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

Notes:

- (1) The share options have no vesting period and are exercisable from the date of grant.
- (2) The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the share capital of the Company.
- (3) The share price at grant date of options represents the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the trading day immediately preceding the date of offer of the options.

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

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

*Notes:*

- (i) The volatility measured at the standard deviation of expected share price returns was based on a statistical analysis of weekly share prices over thirty weeks immediately preceding the grant date.
- (ii) The above calculation was based on the assumption that there was no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

### 35. DEFERRED TAXATION

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

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

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



**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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

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

**36. PLEDGE OF ASSETS**

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

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	131,000	588,000
Leasehold properties	—	9,116
	<u>131,000</u>	<u>597,116</u>

**37. OPERATING LEASE ARRANGEMENTS****The Group as lessee**

	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments recognised in the consolidated income statement during the year	<u>3,258</u>	<u>2,959</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Within one year	1,896	2,487
In the second to fifth year inclusive	<u>1,591</u>	<u>1,400</u>
	<u><u>3,487</u></u>	<u><u>3,887</u></u>

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

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

**The Group as lessor**

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Property rental income earned during the year	26,138	22,432
Less: Outgoings	<u>(753)</u>	<u>(679)</u>
Net rental income	<u><u>25,385</u></u>	<u><u>21,753</u></u>

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Within one year	25,445	14,646
In the second to fifth year inclusive	<u>24,744</u>	<u>8,388</u>
	<u><u>50,189</u></u>	<u><u>23,034</u></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 properties held have committed tenants for terms of one to three years.

**38. RETIREMENT BENEFITS SCHEMES**

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

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

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

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

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

**39. POST BALANCE SHEET EVENTS**

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

- (a) As announced by the Company on 17 April 2007, the Group completed the acquisition of certain units at Ground Floor, No. 1A and 1st Floor, No.1 of Victory Avenue, Kowloon, Hong Kong pursuant to the assignments entered into between the Group and the vendors of these units at a total consideration of HK\$12,880,000.
- (b) As announced by the Company on 27 June 2007, the Group disposed of its investment property known as Ground Floor and cockloft, No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong at a consideration of HK\$92,800,000. The transaction will be completed by September 2007. The gain on disposal of the investment property will be approximately HK\$19,200,000 (before selling expenses).
- (c) As jointly announced by the Company and Easykmit Enterprises, an associate of the Group on 17 July 2007, Easykmit Enterprises, Race Merger, Inc., a wholly-owned subsidiary of Easykmit Enterprises, and Wits Basin Precious Minerals Inc. (“Wits Basin”), have entered into an agreement and a plan of merger and reorganisation dated 20 April 2007, as amended by an agreement supplemental thereto dated 21 May 2007 (the “Merger Agreement”). Pursuant to the Merger Agreement, Easykmit Enterprises has to issue up to 3,345,286,315 shares of Easykmit Enterprises as a consideration for the merger of Race Merger, Inc. with and into Wits Basin (the “Merger”). Wits Basin will be the surviving entity and the wholly-owned subsidiary of Easykmit Enterprises. Therefore, the Merger will lead to a dilution of the Company’s shareholding in Easykmit Enterprises from approximately 35.93% to approximately 19.40%. The Merger is subject to, among others, the approval of the shareholders of Easykmit Enterprises at special general meeting.

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

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

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	
Mary Mac Apparel Inc.	USA	Common stock US\$200,000	—	100%	Garment distribution
Planetic International Limited	Hong Kong	Ordinary HK\$2	—	100%	Finance company
Wellmake Investments Limited	Hong Kong	Ordinary HK\$9,998 (Non-voting deferred HK\$2)*	—	100%	Property holding

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

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

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

**3. MANAGEMENT DISCUSSION AND ANALYSIS**

Set out below are the “Management discussion and analysis” sections contained in the Company’s annual reports for the three years ended 31 March 2007.

*For the year ended 31 March 2005*

**FINANCIAL RESULTS**

For the year under review, the Group recorded a turnover of approximately HK\$590,001,000, down approximately 16.4% from last year (2004: approximately HK\$706,044,000). The decrease was mainly attributable to the change in product mix of the Group to sell more garments for infants, the selling price of which was around 57.1% lower than that of the garments for women, and downward price adjustment of the Group’s textile products as a result of the elimination of the quota costs in January 2005. The disposal of its bleaching and dyeing business in May 2004 also led to the decline in turnover.

Gross profit fell approximately 6.7% to approximately HK\$128,820,000 (2004: approximately HK\$138,086,000), however, profit margin improved by approximately 11.2% to approximately 21.8% (2004: approximately 19.6%), primarily due to the sale of more infant wear, which generated a higher margin than selling ladies wear. The Group’s infant products are mainly sold to the American chain stores and department stores.

Profit from operations rocketed more than 4.6 times to approximately HK\$352,783,000 (2004: approximately HK\$62,568,000) and net profit attributable to shareholders surged 1.5 times to approximately HK\$356,353,000 (2004: approximately HK\$140,830,000), which resulted largely from the reversal of deficit arising on revaluation of investment properties amounting to approximately HK\$140,690,000, unrealised gain on other investments amounting to approximately HK\$158,579,000, gain of approximately HK\$14,149,000 on the disposal of Po Cheong International Enterprises Limited (“Po Cheong”), a then wholly-owned subsidiary of the Company, share of results of associates of approximately HK\$2,876,000 and reduction in finance costs. Earnings per share rose significantly by approximately 76.5% to approximately HK\$0.293 (2004: approximately HK\$0.166).

Cost of sales went down by approximately 18.8% to approximately HK\$461,181,000 (2004: approximately HK\$567,958,000), reflecting the corresponding changes in the product mix and disposal of the bleaching and dyeing business. Coupled with stringent cost control measures, the total operating expenses reduced by approximately 25.2% to approximately HK\$80,433,000 (2004: approximately HK\$107,481,000).

Finance costs dropped by approximately 54.6% to approximately HK\$3,566,000 (2004: approximately HK\$7,855,000), principally by reason of repayment of certain bank loans totalled approximately HK\$128,081,000 as well as the low interest rate level for the year under review.

**BUSINESS REVIEW**

During the year ended 31 March 2005, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment after the disposal of its bleaching and dyeing business in May 2004.

**Garment sourcing and export**

During the year under review, garment sourcing and export continued to be the principal business of the Group and contributed approximately 88.1% to the Group's total turnover, an approximately 4.4% increase over last year (2004: approximately 83.7%). The Group has altered its product mix to produce more infant garments to cater for the changes in customer needs. The product mix of infant wear and ladies wear was 35:56 during the year under review as compared to 24:67 of last year. Turnover from this segment diminished by approximately 12.1% to approximately HK\$519,490,000 (2004: approximately HK\$590,885,000), which was largely due to the relatively lower selling price of the infant wear and the reduction of sales amount of the "Mary Mac" brand name products, predominately resulting from the change in management of the regional office in the United States of America (the "US") during the year under review. This segment generated a profit of approximately HK\$23,667,000 (2004: approximately HK\$36,169,000).

Geographically, the US continued to be the Group's major export market, accounting for approximately 79.5% of the Group's total turnover (2004: approximately 74.5%). The remaining contribution from this segment was generated from sales to customers located in Europe, Mexico and Canada.

**Property investment**

The property segment contributed approximately 10.8% to the Group's turnover, amounting to approximately HK\$63,535,000 (2004: approximately 8.1% or HK\$57,498,000). Benefited from the growth of the Hong Kong property market during the year under review, profits from this segment shot up nearly 1.9 times to approximately HK\$169,889,000 (2004: approximately HK\$59,130,000). Investment properties, all of which are located in Hong Kong, provided a steady income to the Group with a turnover of approximately HK\$24,345,000 (2004: approximately HK\$23,074,000). The average rental income increased nearly 6%. As at 31 March 2005, the Group's commercial rental properties were 100% leased. Its industrial rental properties also maintained a high occupancy rate of over 80%. The building management fee income during the year was approximately HK\$173,000 (2004: Nil).

The sale of residential units of Fa Yuen Plaza in Mongkok was well-received and generated approximately HK\$39,017,000 cash inflow to the Group during the year under review (2004: approximately HK\$34,424,000). As at 31 March 2005, approximately 81% of the available units were sold with the average selling price per square foot gross floor area increased from approximately HK\$3,300 to approximately HK\$3,500 for the year under review.

As at 31 March 2005, the Group's entire property portfolio stood over approximately HK\$641,594,000 (31 March 2004: approximately HK\$535,966,000).

**PROSPECTS****Garment sourcing and export**

To stem a rising tide of the Chinese textile imports following the lifting of the global trade quotas on textiles on 1 January 2005, the US, in May 2005, imposed safeguard quotas limiting the increase in 7 categories of Chinese textile imports to 7.5% this year by relying upon the terms of the accession of the People's Republic of China (the "PRC") to World Trade Organisation (the "WTO"). The PRC abolished its self-imposed export tariffs on 81 categories of textile products in June 2005, escalating trade tensions with the US. In June 2005, the European Union (the "EU") and the PRC also agreed to limit the growth of 10 categories of Chinese textile products to the EU to between 8% and 12.5% a year until the end of 2007. These safeguard measures have created uncertainties in the textile industry and may in turn impact the business of the Group. We will constantly monitor the market conditions and adjust accordingly.

The Group will continue to strengthen its well-developed sales network and business relationship with its clients and promote its brand name of "Mary Mac" targeting the fast growing PRC market through its regional office in New York. The Group would increase the portion of sales of the infant wear with higher profit margin so as to raise its profitability.

**Property investment**

Despite rising interest rates, the Group is optimistic about the outlook of the local property market owing to the improvement in both consumer and investor sentiment, mainly bought about by the encouraging land auction results, implementation of the Closer Economic Partnership Agreement and further extension of the "Individual Visit Scheme" for Mainland visitors.

As announced by the Company on 22 February 2005, two subsidiaries of the Company as vendors and Ms. Wong Ching Man or her nominee(s) as purchaser entered into two provisional agreements for the disposal of Shop Unit No. 19 on Ground Floor (the "Property 1") and Shop Unit No. 20 on Ground Floor and Shop Unit No. 20 on the First Floor (the "Property 2") of The Annex Land Building of Excelsior Plaza, Causeway Bay, Hong Kong (together the "Properties") at a consideration of HK\$220,000,000 in aggregate. With the upturn in Hong Kong's property market, the directors consider that it is a good opportunity for the Group to dispose of the Properties at a gain of approximately HK\$86,000,000 (before taxation and related expenses). The disposal of the Properties, which is expected to be completed on or before 3 August 2005, was approved by the shareholders of the Company at a special general meeting held on 22 April 2005. Details of this are set out in the circular of the Company dated 6 April 2005.

Apart from the Properties, the Group is currently holding other properties for rental purposes. Rental income from these properties is expected to rise, especially for the retail shops located in prime areas such as Causeway Bay, Tsimshatsui and Mongkok. Also, as the mortgage of the Property 2 will be repaid after its disposal, the Group will be able to save the expenses on interest of the mortgage



and improve its gearing ratio as a whole. It is believed that the sales of the remaining units of the Fa Yuen Plaza will continue to contribute to the Group's revenue. The Group will prudently seek opportunities for property investment or development in order to benefit from the growing economy and to enhance the shareholders' returns.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2005, the Group financed its operations mainly by net proceeds from the disposal of subsidiaries and the issue of rights shares in 2004, internally generated resources and bank borrowings. As at 31 March 2005, the Group's total bank borrowings (but excluding obligations under finance leases) declined by approximately 37.9% to approximately HK\$187,349,000 (31 March 2004: approximately HK\$301,545,000), of which approximately 64.6% being short-term borrowings and approximately 35.4% being long-term borrowings. All the loans are secured and denominated in Hong Kong dollars with prevailing market interest rates. The Group's borrowings are mostly event driven, with little seasonality. As at 31 March 2005, the shareholders' fund of the Group amounted to approximately HK\$1,065,484,000 (31 March 2004: approximately HK\$667,215,000). The Group's gearing ratio, which was calculated based on the total borrowings to the shareholders' fund, decreased substantially from approximately 0.45 as at 31 March 2004 to approximately 0.18 as at 31 March 2005.

The Group continued to sustain a good liquidity position. As at 31 March 2005, the Group had net current assets of approximately HK\$472,509,000 (31 March 2004: approximately HK\$277,992,000) and cash and cash equivalents of approximately HK\$83,901,000 (31 March 2004: approximately HK\$67,357,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 31 March 2005, the Group's current ratio was approximately 3.43 (31 March 2004: approximately 2.25), which was calculated on the basis of current assets of approximately HK\$667,042,000 (31 March 2004: approximately HK\$500,256,000) to current liabilities of approximately HK\$194,533,000 (31 March 2004: approximately HK\$222,264,000). The improvement in the current ratio was mainly due to the proceeds received from the disposal of subsidiaries and issue of rights shares during the year, which not only reduced the Group's liabilities but also raised its level of current assets. During the year under review, the Group serviced its debts primarily through the proceeds from the rights issue conducted in 2004.

The directors believe that the Group has sufficient financial resources for its operations.

### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

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

### **CAPITAL STRUCTURE**

As announced by the Company on 11 May 2004, the Company proposed a rights issue of 441,224,462 rights shares of HK\$0.10 each at a subscription price of HK\$0.11 per rights share on the

basis of one rights share for every two shares held. As a result of the rights issue, the issued share capital of the Company has been increased from HK\$88,244,892.4 to HK\$132,367,338.6 comprising 1,323,673,386 shares of HK\$0.10 each with effect from 24 June 2004. The Company raised approximately HK\$47,500,000 (net of expenses), out of which approximately HK\$40,000,000 has been used to repay the Group's bank borrowings and the balance was applied as general working capital. Details of the rights issue are set out in the prospectus of the Company dated 7 June 2004.

As announced by the Company on 20 May 2004, the Company proposed a reduction in its authorised share capital from HK\$3,000,000,000 to HK\$1,000,000,000 by the diminution of 20,000,000,000 authorised but unissued shares of HK\$0.10 each. A special resolution in respect of the proposed reduction was passed at the special general meeting of the Company held on 28 July 2004. Details of such reduction are set out in the circular of the Company dated 29 June 2004.

As announced by the Company on 26 July 2004, the Company proposed to reduce the entire amounts standing to the credit of the share premium account and the capital reserve account of the Company and to apply part of the credits arising therefrom in the sum of HK\$1,785,508,000 to offset the accumulated losses of the Company as at 31 March 2004 in full and to transfer the remaining balance of HK\$227,555,000 to the contributed surplus account of the Company. A special resolution to approve the aforesaid proposal was passed at the special general meeting of the Company held on 23 August 2004. Details of the proposal are set out in the circular of the Company dated 30 July 2004.

The Group had no debt securities or other capital instruments as at 31 March 2005 and up to the date of this report.

#### **MATERIAL ACQUISITIONS AND DISPOSALS**

As jointly announced by the Company and Asia Alliance Holdings Limited ("Asia Alliance"), an associate of the Group, on 5 March 2004, a wholly-owned subsidiary of the Company has conditionally agreed to dispose of all the issued shares of Po Cheong to a wholly-owned subsidiary of Asia Alliance at a consideration of HK\$65,000,000 (the "Disposal"). The consideration of the Disposal has been subsequently adjusted down to HK\$38,879,778, details of which are set out in the joint announcement of the Company and Asia Alliance dated 16 June 2005. Completion of the Disposal took place on 17 May 2004. As the Group's bleaching and dyeing business was conducted only through Po Cheong and its subsidiary, the Group is no longer engaged in that business after the Disposal (except through its interest in Asia Alliance).

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2005.

#### **CHARGES ON GROUP ASSETS**

As at 31 March 2005, leasehold land and buildings, and investment properties with carrying amount of approximately HK\$9,337,000 (31 March 2004: approximately HK\$9,558,000) and approximately HK\$619,010,000 (31 March 2004: approximately HK\$478,400,000), respectively, were pledged to banks to secure the bank borrowings granted to the Group.

**CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS**

During the year ended 31 March 2005, the Group spent approximately HK\$1,589,000 (2004: approximately HK\$17,465,000) on acquisition of property, plant and equipment.

As at 31 March 2005 and 2004, the Group had no significant capital commitments.

**CONTINGENT LIABILITIES**

As at 31 March 2005, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$188,913,000 (31 March 2004: approximately HK\$301,545,000) were supported by the Company's corporate guarantees given to the banks and bills discounted with recourse were amounted to approximately HK\$3,441,000 (31 March 2004: approximately HK\$5,719,000).

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2005.

**SIGNIFICANT INVESTMENT**

As at 31 March 2005, the Group had significant investments in a portfolio of Hong Kong listed equity securities with an aggregate market value of approximately HK\$244,030,000 (31 March 2004: Nil). These securities were purchased during the year under review at a total cost of approximately HK\$85,451,000. As a result, there was unrealised gain of approximately HK\$158,579,000 recorded during the year under review due to the increase in the market value of these securities.

Saved as disclosed above, the Group did not have any significant investment held or any significant investment plans as at 31 March 2005.

**FUTURE PLAN FOR MATERIAL INVESTMENTS**

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

**EMPLOYMENT AND REMUNERATION POLICY**

As at 31 March 2005, the number of employees of the Group in Hong Kong and the US was about 60 and 16 respectively. Employees' cost (including directors' emoluments) amounted to approximately HK\$27,798,000 for the year under review (2004: approximately HK\$39,302,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has adopted the Mandatory Provident Fund for the Hong Kong employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

*For the year ended 31 March 2006*

## **FINANCIAL RESULTS**

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$489,715,000, representing a decrease of approximately 17.0% from last year (2005: approximately HK\$590,001,000). The decrease was mainly due to the cancellation of quota system which affected the price that the Group tagged and reduction in the residential units available for sale of Fa Yuen Plaza in Mongkok during the year under review.

Gross profit fell approximately 30.6% to approximately HK\$89,360,000 (2005: approximately HK\$128,820,000), primarily because of shrinking profit margins amid increasingly fierce competition in the garment sourcing and export industry.

Profit attributable to shareholders dropped approximately 50.4% to approximately HK\$172,851,000 (2005: approximately HK\$348,469,000), which was largely due to the impairment loss on trade and other receivables of approximately HK\$33,513,000 and share of loss of associates of approximately HK\$4,548,000. This was partly offset by the gain arising on change in fair value of investment properties of approximately HK\$189,730,000 and decrease in cost of sales. Basic earnings per share went down by approximately 54.2% to approximately HK\$0.131 (2005: approximately HK\$0.286).

Cost of sales dropped by approximately 13.2% to approximately HK\$400,355,000 (2005: approximately HK\$461,181,000), reflecting the decrease in sales for the year under review. The total operating expenses reduced by approximately 18.5% to approximately HK\$62,148,000 (2005: approximately HK\$76,218,000) as a result of imposing stringent cost control measures.

Finance costs increased by approximately 29.2% to approximately HK\$4,609,000 (2005: approximately HK\$3,566,000), principally due to the increase in interest rate during the year under review.

## **BUSINESS REVIEW**

During the year ended 31 March 2006, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment.

### **Garment sourcing and export**

During the year under review, garment sourcing and export continued to be the principal business of the Group and contributed approximately 93.7% to the Group's total turnover, an approximately 5.7% increase as compared to that of last year (2005: approximately 88.0%). However, turnover from this segment diminished by approximately 11.7% to approximately HK\$458,666,000 (2005: approximately HK\$519,490,000). This segment suffered a loss of approximately HK\$21,342,000 (2005: a profit of approximately HK\$23,667,000), largely due to the impairment loss on trade and other receivables of approximately HK\$33,315,000 provided in respect of the deposits to a supplier

paid by the Group as a result of the voluntary liquidation of such supplier, details of which are set out in the Company's announcement dated 3 November 2005. The Group continued to alter its product mix to cater for the changes in customer needs. The product mix of infant wear and ladies wear changed from 35: 56 for the year ended 31 March 2005 to 38: 46 for the year under review.

Geographically, the United States of America (the "US") remained to be the Group's major export market, from which approximately 86.3% of the Group's total turnover was generated (2005: approximately 79.5%).

The Hong Kong, European, Mexican and Canadian markets accounted for approximately 6.3%, 5.6%, 1.7% and 0.1% of the Group's total turnover respectively.

### **Property investment**

For the year ended 31 March 2006, the property investment segment contributed approximately HK\$31,049,000 or 6.3% to the Group's total turnover (2005: approximately HK\$63,535,000 or 10.8%). Profit generated from this business segment went up approximately 25.1% to approximately HK\$212,484,000 (2005: approximately HK\$169,889,000), principally due to the gain arising on change in fair value of investment properties of approximately HK\$189,730,000. This was partly offset by the decrease in rental income following the disposal of two properties in The Annex Land Building of Excelsior Plaza, Causeway Bay, Hong Kong (the "Properties") on 3 August 2005. Rental income from investment properties, which are all located in Hong Kong reduced to approximately HK\$22,432,000 (2005: approximately HK\$24,345,000). The average rental income of the Group decreased nearly 7.9% during the year under review. As at 31 March 2006, the Group's commercial rental properties were 100% leased. Its industrial rental properties also continued to maintain a high occupancy rate of 89%. The building management fee income during the year under review was approximately HK\$268,000 (2005: approximately HK\$173,000).

The sale of residential units of Fa Yuen Plaza in Mongkok generated approximately HK\$8,349,000 cash inflow to the Group during the year under review (2005: approximately HK\$39,017,000). As at 31 March 2006, approximately 88% of the available units were sold with the average selling price per square foot gross floor area increased from approximately HK\$3,500 to approximately HK\$4,100 during the year under review.

As at 31 March 2006, the Group's entire property portfolio stood over HK\$604,126,000 (31 March 2005: approximately HK\$641,594,000).

### **PROSPECTS**

#### **Garment sourcing and export**

Although the re-imposition of the textile quotas by the US and the European Union still affects the Group's garment export business, the directors anticipate that the garment business of the Group will remain stable in view of the stable customer base and customer orders.

The Group will continue to retain and strengthen its well-developed sales network and business relationship with its existing clients and explore collaboration opportunities with potential customers. The Group will also expand its product range with infant wear as the focus in order to enlarge its income base.

### **Property investment**

Commercial property investment will be the focal strategic development of the Group in the future. According to a recent international research on global rental expenditure, the office rental expenditure in Hong Kong ranked third globally and reached its peak in 2005. In addition, during the year under review, Hong Kong recorded a steady economic growth. According to the figures from the Hong Kong Trade Development Council, the real Gross Domestic Product has experienced continuous growth over the last two years, which has favoured the retail market in Hong Kong. Furthermore, sight-seeing spots in Hong Kong such as Ocean Park, Ngong Ping 360 and the Hong Kong Wetland Park, and the expanded Individual Visit Scheme have also helped boosting tourism and the retail industry in Hong Kong. Rental income is thus expected to increase, especially in prime areas such as Causeway Bay, Tsimshatsui and Mongkok. In light of the above favourable conditions to the local property market, the Group will grasp the business opportunities arisen and further strengthen its property investment in the territory in order to enhance its property portfolio and shareholders' returns.

Besides, the Group also regards the property market in Macau as a potential investment opportunity. As the gambling business in Macau flourishes, the Group believes that tourism and the retail market in Macau will grow dramatically. The Group will identify potential property development opportunities in Macau in a bid to expand its property portfolio outside Hong Kong.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2006, the Group financed its operations mainly by the net proceeds from the disposal of the Properties (as defined in "Business Review" above), internally generated resources and bank borrowings. The Group's total bank borrowings declined by approximately 98.0% to approximately HK\$3,819,000 at 31 March 2006 (31 March 2005: approximately HK\$187,349,000 (but excluding obligations under finance leases)), which are all short-term borrowings. All the loans are secured and denominated in Hong Kong dollars and US dollars with prevailing market interest rates. The Group's borrowings are mostly event driven, with little seasonality. As at 31 March 2006, the shareholders' fund of the Group amounted to approximately HK\$1,030,928,000 (31 March 2005: approximately HK\$1,053,688,000). The Group's gearing ratio, which was calculated on the basis of the total borrowings to the shareholders' fund, decreased substantially from approximately 0.178 as at 31 March 2005 to approximately 0.004 as at 31 March 2006.

The Group continued to sustain a good liquidity position. As at 31 March 2006, the Group had net current assets of approximately HK\$281,721,000 (31 March 2005: approximately HK\$472,509,000) and cash and cash equivalents of approximately HK\$174,580,000 (31 March 2005: approximately HK\$83,901,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 31 March 2006, the current ratio of the Group was

approximately 4.78 (31 March 2005: approximately 3.43), which was calculated on the basis of current assets of approximately HK\$356,172,000 (31 March 2005: approximately HK\$667,042,000) to current liabilities of approximately HK\$74,451,000 (31 March 2005: approximately HK\$194,533,000). The improvement in the current ratio was mainly due to repayment of the majority of the Group's borrowings during the year ended 31 March 2006. During the year under review, the Group serviced its debts primarily through the proceeds from the disposal of the Properties and internally generated resources. Final dividend for the year ended 31 March 2005 amounting to approximately HK\$6,618,000 was paid in September 2005.

The directors believe that the Group has sufficient financial resources for its operations.

#### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

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

#### **CAPITAL STRUCTURE**

The Group has no debt securities or other capital instruments as at 31 March 2006 and up to the date of this report.

#### **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group had no material acquisitions or disposal of subsidiaries or associates during the year ended 31 March 2006.

#### **CHARGES ON GROUP ASSETS**

As at 31 March 2006, certain leasehold properties and investment properties of the Group with carrying amounts of approximately HK\$9,116,000 (31 March 2005: approximately HK\$9,337,000) and approximately HK\$588,000,000 (31 March 2005: approximately HK\$619,010,000), respectively, were pledged to banks to secure the bank borrowings granted to the Group.

#### **CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS**

During the year ended 31 March 2006, the Group spent approximately HK\$1,077,000 (2005: approximately HK\$1,589,000) on acquisition of property, plant and equipment.

As at 31 March 2005 and 31 March 2006, the Group had no significant capital commitments.

#### **CONTINGENT LIABILITIES**

As at 31 March 2006, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$8,333,000 (31 March 2005: approximately HK\$188,913,000) were supported by the Company's corporate guarantees given to the banks and the Group did not have bills discounted with recourse under the contingent liabilities (31 March 2005: approximately HK\$3,441,000).

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2006.

### **SIGNIFICANT INVESTMENT**

As at 31 March 2006, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$93,987,000 and investments held for trading of approximately HK\$3,600,000 (31 March 2005: other investments of approximately HK\$244,030,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

The available-for-sale investments of approximately HK\$8,255,000 represented 33,286,100 shares of Capital Estate Limited (“Capital Estate”), a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) acquired by the Group during the year under review (the “Aggregated Acquisition”). The Aggregated Acquisition constitutes a discloseable transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and its details are set out in the circular of the Company dated 14 November 2005. Due to the changes in the issued share capital of Capital Estate, the number of shares held by the Group therein has been adjusted to 166,430,500, representing approximately 12.56% and 9.83% of the issued share capital of Capital Estate as at 31 March 2006 and the date of this report, respectively.

In respect of the listed securities performance for the year under review, the Group recorded gain on fair value changes of investments held for trading of approximately HK\$12,000 (2005: unrealised gain on other investments of approximately HK\$158,579,000).

Save as disclosed above, the Group did not have any significant investment held or any significant investment plans as at 31 March 2006.

### **FUTURE PLAN FOR MATERIAL INVESTMENTS**

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

### **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 March 2006, the number of employees of the Group in Hong Kong and the US was about 60 and 16 respectively. Staff costs (including directors’ emoluments) amounted to approximately HK\$27,152,000 for the year under review (2005: approximately HK\$27,798,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong’s employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.



*For the year ended 31 March 2007*

### **VOLUNTARY DELISTING FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

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

### **FINANCIAL RESULTS**

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

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

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

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

### **BUSINESS REVIEW**

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

**Garment sourcing and exporting**

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

**Property investment and development**

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

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

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

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

### **Geographical analysis of turnover**

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

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

### **PROSPECTS**

#### **Garment sourcing and exporting**

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

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

#### **Property investment and development**

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

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

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2007, the Group financed its operations mainly by internally generated resources. As at 31 March 2007, the shareholders' fund of the Group was approximately HK\$1,369,178,000 (31 March 2006: approximately HK\$1,030,928,000). As the Group had no bank

borrowings as at 31 March 2007 (31 March 2006: approximately HK\$3,819,000), no gearing ratio of the Group is presented at 31 March 2007. As at 31 March 2006, the Group's gearing ratio, which was calculated on the basis of the total borrowings to the shareholders' fund, was approximately 0.0037.

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

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

#### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

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

#### **CAPITAL STRUCTURE**

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

On 30 August 2006, the Company announced that it proposed, amongst others, (i) the consolidation of every 10 issued and unissued shares of HK\$0.10 each into one share of HK\$1.00 each (the "Consolidated Share") (the "Share Consolidation"); (ii) the reduction of par value of each Consolidated Share in issue from HK\$1.00 each to HK\$0.01 each (the "Adjusted Share") by cancelling HK\$0.99 paid up capital on each Consolidated Share in issue, the subdivision of each unissued Consolidated Share of HK\$1.00 each into 100 new unissued Adjusted Shares of HK\$0.01 each and the transfer of the credit arising from the cancellation of paid up capital of HK\$196,565,496.93 to a capital reserve account of the Company (the "Capital Reduction"); and (iii) a rights issue of not less

than 595,653,021 rights shares of HK\$0.01 each at a subscription price of HK\$0.35 per rights share on the basis of three rights shares for every Adjusted Share held (the “Second Rights Issue”). Details of the Share Consolidation, the Capital Reduction and the Second Rights Issue are set out in the Company’s circular dated 22 September 2006.

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

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

#### **MATERIAL ACQUISITIONS AND DISPOSALS**

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

#### **CHARGES ON GROUP ASSETS**

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

#### **CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS**

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

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

#### **CONTINGENT LIABILITIES**

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

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

**SIGNIFICANT INVESTMENT**

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

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

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

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

**FUTURE PLAN FOR MATERIAL INVESTMENTS**

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

**EMPLOYMENT AND REMUNERATION POLICY**

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

#### 4. INDEBTEDNESS

At the close of business on 30 September 2007, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had available banking facilities which were secured by charges over certain properties of the Group. No facility was utilised by the Group at the close of business on 30 September 2007.

Apart from intra-group liabilities, the Group did not have at the close of business on 30 September 2007 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, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

#### 5. BUSINESS PROSPECTS

##### **Financial and trading prospects of the Group**

Since 31 March 2007, the Group has continued to focus on the businesses of sourcing and exporting of cotton-knitted garments for infants, children and women, and property investment and development. The Group recorded a moderate growth in turnover and gross profit for the aforesaid businesses for the period ended 30 September 2007. The Directors expect the growth of the Group's core businesses to be maintained as long as there are no unforeseeable events that are beyond the control of the Group. There has been no major change in the financial position of the Group since 31 March 2007. The Directors are confident that the financial and trading prospects of the Group will remain positive in future.

##### **Trend of business of the Group**

##### *Trade factors and risks*

Possible risk factors which may be faced by the garment business of the Group are as follows:

**Cotton Prices:** As most of the garments sourced and exported by the Group are of high cotton content, any significant increase in cotton prices will affect the cost of the garments sourced and exported by the Group, which in turn will affect the Group's profit margins.

**Competition:** The Hong Kong textiles and clothing industries are facing increasing competition from neighbouring South East Asian countries. Currently, over 90% of the garments sourced by the Group are exported to the United States. So far as the United States market is concerned, textiles products from Hong Kong have to face competition not only from the neighbouring South East Asian countries but also competition from China as well as Central and South American countries. The competitiveness of the Group will depend in part on the continuing ability of the Group to source quality cotton garments at competitive prices.

**Reliance On The U.S. Market:** As over 90% of the garments sourced by the Group are exported to the United States. Change in the United States' economic condition would affect the performance of the Group.

**Reliance On Few Major Customers:** The five largest customers of the Group contribute approximately 92% in turnover for the garment sourcing and export business. Reduction in orders by these customers would affect the revenue of the Group.

Possible risk factors which may be faced by the property investment business of the Group are as follows:

**Rentals From Investment Properties:** All of the Group's properties are commercial / industrial units and shops and are located in Hong Kong. The ability of the Group to maintain or increase revenue from investment properties will be dependent on market condition at the time of renewal or rent review. The Group's income would be affected if the Group were unable to lease significant amounts of space in its investment properties or to let such space on economically favourable terms.

**Property Available For Future Acquisition:** Suitable properties for investment or re-development have become more scarce and more expensive in recent year. The Group's future growth prospects may therefore be affected to the extent that it is not able to acquire properties in Hong Kong at suitable prices.

### ***General Trend of Business***

In the past 3 years, the Group has not changed its principal activities of business and continued to focus its business on the garment sourcing and exporting businesses and property investment. In addition, the Group also invests in Hong Kong listed securities and provides small scale loan financing.

The Group expects that there will only be moderate growth in the revenue of its garment sourcing and exporting business due to high competition from overseas competitors and fluctuation in the cotton price. In view of this, the Group expects to strengthen its revenue to be derived from its property investment business by acquiring more high grade properties for investment purpose. The Board will continue to invest in office buildings and shops as its principal strategy. Looking ahead, the Board is still confident in the future development of its core business.

## **6. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the Possible Acquisition, the present available financial resources of the Group (including but not limited to realisation of certain assets of the Group), its expected internally generated funds, the present available banking facilities of the Group, a bank borrowing of up to HK\$600,000,000 agreed to be provided by a bank, subject to the bank's internal credit approval procedures, in connection with the Possible Acquisition if the Company's bid at the Auction is successful and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

## **7. MATERIAL ADVERSE CHANGES**

There has been no material adverse change in the financial or trading position of the Group from 31 March 2007 (being the date to which the latest published audited financial statements of the Company were made up) to the Latest Practicable Date.



*Particulars of tenancies/leases to which the Property is subject*

Premises	Particulars of Tenancy/Lease	
1. Shop 1	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Cheer Wool Co. Limited from 4 February 2007 to 3 February 2009 HK\$57,750.00 HK\$181,912.50 as contained in the Tenancy Agreement dated 20 April 2007
2. All of 1st Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Toni & Guy (Hong Kong) Limited from 15 July 2005 to 14 July 2008 HK\$65,671.00 HK\$278,136.00 as contained in the Lease dated 8 August 2005
3. Room 201 on 2nd Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Euro Buying Services Limited from 25 May 2005 to 24 May 2008 HK\$40,500.00 HK\$178,200.00 as contained in the Lease dated 18 July 2005
4. Room 202 on 2nd Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Admango.Com Limited from 22 February 2007 to 21 February 2009 HK\$34,875.00 HK\$129,037.50 as contained in the Tenancy Agreement dated 20 April 2007

Premises	Particulars of Tenancy/Lease	
5. All of 3rd Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Advanced Learning Limited from 10 April 2006 to 9 April 2009 HK\$81,112.50 HK\$324,450.00 as contained in the Lease dated 12 May 2006
6. All of 4th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Matrix Investments Ltd. from 3 October 2006 to 2 October 2008 HK\$100,425.00 HK\$382,387.50 as contained in the Tenancy Agreement dated 9 October 2006
7. All of 5th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term The Financial Secretary Incorporated from 1 November 2005 to 31 October 2008 HK\$67,207.50 N/A as contained in the Tenancy Agreement dated 18 October 2006
8. Rooms 601-602 on 6th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Sunsy Holiday Limited from 20 October 2005 to 19 October 2008 HK\$24,044.50 HK\$98,709.00 as contained in the Lease dated 4 January 2006

Premises	Particulars of Tenancy/Lease		
9. Room 603 on 6th Floor	(a) Nature of Tenancy :	fixed term	
	(b) Tenant :	BU Nation Co. Ltd.	
	(c) Term :	from 18 April 2006 to 17 April 2009	
	(d) Rent :	HK\$16,989.00	
	(e) Amount of Deposit :	HK\$67,956.00	
	(f) Other Terms and Conditions :	as contained in the Lease dated 18 April 2006	
10. Room 605 on 6th Floor	(a) Nature of Tenancy :	fixed term	
	(b) Tenant :	Key Consultancy Co. Limited	
	(c) Term :	from 8 October 2007 to 7 October 2010	
	(d) Rent :	HK\$11,505.00	
	(e) Amount of Deposit :	HK\$85,137.00	
	(f) Other Terms and Conditions :	as contained in the Lease dated 26 October 2007	
11. Room 701 on 7th Floor	(a) Nature of Tenancy :	fixed term	
	(b) Tenant :	Sky Telemedia (China) Limited.	
	(c) Term :	from 4 October 2005 to 3 October 2008	
	(d) Rent :	HK\$49,249.00	
	(e) Amount of Deposit :	HK\$208,584.00	
	(f) Other Terms and Conditions :	as contained in the Lease dated 4 November 2005	
12. Room 702 on 7th Floor	(a) Nature of Tenancy :	fixed term	
	(b) Tenant :	Society of Japanese Language Education, Hong Kong	
	(c) Term :	from 1 March 2005 to 29 February 2008	
	(d) Rent :	HK\$15,750.00	
	(e) Amount of Deposit :	HK\$69,300.00	
	(f) Other Terms and Conditions :	as contained in the Lease dated 29 April 2005	

Premises	Particulars of Tenancy/Lease		
13. Room 801A on 8th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term The Financial Secretary Incorporated from 28 February 2006 to 27 February 2009 HK\$17,874.00 N/A as contained in the Tenancy Agreement dated 18 October 2006	
14. Room 803 on 8th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Design 2 (HK) Limited from 16 September 2005 to 15 September 2008 HK\$34,597.50 HK\$152,229.00 as contained in the Lease dated 4 January 2006	
15. All of 9th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Sino Sky Enterprises Limited from 15 November 2004 to 14 November 2007 HK\$50,212.50 HK\$231,750.00 as contained in the Lease dated 17 November 2004	
16. Room 1001 on 10th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Semeiotics Group (HK) Limited from 1 October 2005 to 30 September 2008 HK\$31,176.00 HK\$134,446.50 as contained in the Lease dated 4 January 2006	

Premises	Particulars of Tenancy/Lease	
17. Room 1002 on 10th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Zang & Holt Associates Limited from 20 February 2006 to 19 February 2009 HK\$37,867.20 HK\$154,173.60 as contained in the Lease dated 21 April 2006
18. All of 11th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term AB Concept Limited from 30 July 2005 to 29 July 2008 HK\$28,080.00 HK\$129,600.00 as contained in the Lease dated 25 August 2005
19. All of 12th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Ricoh Hong Kong Limited from 2 October 2007 to 1 October 2010 HK\$71,400.00 HK\$264,180.00 as contained in the Lease dated 26 October 2007
20. Room 1401 on 14th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Sinodon Management Limited from 1 November 2007 to 31 October 2009 HK\$8,955.00 HK\$33,133.50 as contained in the Tenancy Agreement dated 26 October 2007

Premises	Particulars of Tenancy/Lease		
21. Room 1402 on 14th Floor	(a) Nature of Tenancy : (b) Tenant :	fixed term Cosda Industries Company Limited trading under the name of Cosda International	
	(c) Term :	from 14 April 2007 to 13 April 2009	
	(d) Rent :	HK\$9,120.00	
	(e) Amount of Deposit :	HK\$33,744.00	
	(f) Other Terms and Conditions :	as contained in the Tenancy Agreement dated 18 June 2007	
22. Room 1403 on 14th Floor	(a) Nature of Tenancy : (b) Tenant :	fixed term Kwok Suk Wai trading under the name of Twenty Eight A Design	
	(c) Term :	from 4 July 2007 to 3 July 2010	
	(d) Rent :	HK\$23,115.00	
	(e) Amount of Deposit :	HK\$85,525.50	
	(f) Other Terms and Conditions :	as contained in the Tenancy Agreement dated 28 August 2007	
23. Room 1404 on 14th Floor	(a) Nature of Tenancy : (b) Tenant :	fixed term Yang Ka Chi trading under the name of A Plus A Design	
	(c) Term :	from 25 June 2006 to 24 June 2008	
	(d) Rent :	HK\$7,161.00	
	(e) Amount of Deposit :	HK\$28,318.50	
	(f) Other Terms and Conditions :	as contained in the Tenancy Agreement dated 11 August 2006	
24. Room 1405 on 14th Floor	(a) Nature of Tenancy : (b) Tenant :	fixed term Brighspect Limited	
	(c) Term :	from 19 June 2006 to 18 June 2008	
	(d) Rent :	HK\$7,161.00	
	(e) Amount of Deposit :	HK\$28,318.50	
	(f) Other Terms and Conditions :	as contained in the Tenancy Agreement dated 11 August 2006	

Premises	Particulars of Tenancy/Lease		
25. Room 1504 on 15th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Sun Chung Kee Co. Limited from 15 April 2007 to 14 April 2008 HK\$10,185.00 HK\$37,684.50 as contained in the Tenancy Agreement dated 18 June 2007	
26. Room 1505 on 15th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Manchester Training & Consultancy Institute from 5 March 2007 to 4 March 2009 HK\$9,210.00 HK\$34,077.00 as contained in the Tenancy Agreement dated 20 April 2007	
27. Room 1601-1603 on 16th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term King's Gallery Limited from 1 February 2006 to 31 January 2009 HK\$19,540.00 HK\$158,274.00 as contained in the Lease dated 21 April 2006	
28. Room 1603A on 16th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Wolfman Jack Entertainment (H.K.) Limited from 1 October 2006 to 30 September 2008 HK\$8,592.00 HK\$33,294.00 as contained in the Tenancy Agreement dated 1 November 2006	

Premises	Particulars of Tenancy/Lease	
29. Room 1604 on 16th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Yam Po Wah trading under the name of P.W. Yam & Co. from 4 March 2006 to 3 March 2008 HK\$6,820.00 HK\$27,621.00 as contained in the Tenancy Agreement dated 21 April 2006
30. Room 1605 on 16th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Ng Yuet Ning Stanley trading under the name of Manchester Training & Consultancy Institute from 26 July 2006 to 25 July 2008 HK\$6,589.00 HK\$26,056.50 as contained in the Tenancy Agreement dated 6 October 2006
31. Room 1701 on 17th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Shum Kin Wai trading as Shum's Studio from 7 August 2006 to 6 August 2009 HK\$5,592.00 HK\$43,338.00 as contained in the Lease dated 6 October 2006
32. Room 1702 on 17th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Oriental Holdings International Limited from 25 April 2006 to 24 April 2008 HK\$7,678.00 HK\$30,363.00 as contained in the Tenancy Agreement dated 11 August 2006



<b>Premises</b>	<b>Particulars of Tenancy/Lease</b>		
33. Room 1703 on 17th Floor	(a) Nature of Tenancy :	fixed term	
	(b) Tenant :	Chiu Kee Co. Ltd.	
	(c) Term :	from 7 September 2006 to 6 September 2009	
	(d) Rent :	HK\$11,097.50	
	(e) Amount of Deposit :	HK\$43,425.00	
	(f) Other Terms and Conditions :	as contained in the Tenancy Agreement dated 9 October 2006	
34. Room 1703A on 17th Floor	(a) Nature of Tenancy :	fixed term	
	(b) Tenant :	Edmund Cheung and Associates Limited	
	(c) Term :	from 15 April 2006 to 14 April 2008	
	(d) Rent :	HK\$6,347.00	
	(e) Amount of Deposit :	HK\$25,099.50	
	(f) Other Terms and Conditions :	as contained in the Tenancy Agreement dated 12 May 2006	
35. Room 1704 on 17th Floor	(a) Nature of Tenancy :	fixed term	
	(b) Tenant :	Sun Chung Kee Company Limited	
	(c) Term :	from 15 September 2006 to 14 September 2008	
	(d) Rent :	HK\$8,184.00	
	(e) Amount of Deposit :	HK\$31,713.00	
	(f) Other Terms and Conditions :	as contained in the Tenancy Agreement dated 6 October 2006	
36. Room 1705 on 17th Floor	(a) Nature of Tenancy :	fixed term	
	(b) Tenant :	N. Law and Associates Management Consultancy Limited	
	(c) Term :	from 1 May 2006 to 30 April 2008	
	(d) Rent :	HK\$6,688.00	
	(e) Amount of Deposit :	HK\$26,448.00	
	(f) Other Terms and Conditions :	as contained in the Tenancy Agreement dated 12 May 2006	

Premises	Particulars of Tenancy/Lease	
37. Room 1801-1802 on 18th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term : (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Elegant Fortune Limited trading under the name of MTI Network (Asia) from 24 January 2007 to 23 January 2009 HK\$17,190.00 HK\$63,603.00 as contained in the Tenancy Agreement dated 18 June 2007
38. Room 1803 on 18th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term : (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Keenpack Industrial Limited from 16 June 2007 to 15 June 2009 HK\$23,115.00 HK\$85,525.50 as contained in the Tenancy Agreement dated 26 October 2007
39. Room 1804-1805 on 18th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term : (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Wochetex Limited from 3 July 2007 to 2 July 2009 HK\$19,455.00 HK\$121,983.50 as contained in the Tenancy Agreement dated 17 August 2007
40. Rooms 1901-1902 on 19th Floor and All of 20th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term : (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Richards Basmajian Limited from 10 July 2006 to 9 July 2008 HK\$57,093.00 HK\$227,695.50 as contained in the Tenancy Agreement dated 11 August 2006

Premises	Particulars of Tenancy/Lease		
41. Rooms 1903-1905 on 19th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term P Dussmann HK Limited from 5 March 2007 to 4 March 2009 HK\$40,005.00 HK\$148,018.50 as contained in the Tenancy Agreement dated 20 April 2007	
42. All of 21st Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Multiple Building Consultancy Limited from 1 April 2006 to 31 March 2009 HK\$41,406.00 HK\$166,428.00 as contained in the Lease dated 12 May 2006	
43. Room 2201 on 22nd Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Metro Down Limited from 10 March 2005 to 9 March 2008 HK\$19,320.00 HK\$85,008.00 as contained in the Lease dated 29 April 2005	
44. Room 2202 on 22nd Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Theo Culture Limited from 18 March 2005 to 17 March 2008 HK\$10,830.00 HK\$47,652.00 as contained in the Lease dated 29 April 2005	

Premises	Particulars of Tenancy/Lease	
45. All of 23rd Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Home Essentials (H.K.) Limited from 8 August 2007 to 7 August 2009 HK\$60,300.00 HK\$223,110.00 as contained in the Tenancy Agreement dated 7 September 2007
46. All of 24th Floor	(a) Nature of Tenancy : (b) Tenant : (c) Term : (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Matisse Limited from 1 June 2005 to 31 May 2008 HK\$28,925.00 HK\$133,500.00 as contained in the Lease dated 18 July 2005
47. All of 25th Floor	(a) Nature of Tenancy : (b) Tenant :  (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term ST Legere Design International Limited from 10 January 2005 to 9 January 2008 HK\$25,317.50 HK\$116,850.00 as contained in the Lease dated 21 January 2005
48. All of 26 to 28th Floors	(a) Nature of Tenancy : (b) Tenant : (c) Term :  (d) Rent : (e) Amount of Deposit : (f) Other Terms and Conditions :	fixed term Tai Sang Land Development Ltd. from 7 September 2005 to 6 August 2008 HK\$61,932.00 HK\$285,840.00 as contained in the Tenancy Agreement dated 6 September 2005

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**APPENDIX III                      UNAUDITED PRO FORMA NET ASSETS STATEMENT  
OF THE GROUP**

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*The following are the unaudited pro forma net assets statement of the Group and the text of a accountants' report thereon received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.*

**(A) Unaudited pro forma net assets statement of the Group**

The unaudited pro forma net assets statement of the Group is prepared based on the audited consolidated balance sheet extracted from the annual report of the Company for the year ended 31 March 2007, after making pro forma adjustments relating to the Possible Acquisition that are (i) directly attributable to the Possible Acquisition; and (ii) factually supportable, as if the Possible Acquisition had been completed on 31 March 2007.

As it is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2007 or at any other date.

	<b>The Group as at 31 March 2007 HK\$'000 (Audited)</b>	<b>Pro forma adjustment HK\$'000 (Note)</b>	<b>Unaudited pro forma combined total HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	17,938	—	17,938
Properties held for re-development	156,283	—	156,283
Investment properties	606,170	1,245,000	1,851,170
Intangible asset	921	—	921
Interests in associates	60,590	—	60,590
Available-for-sale investments	84,830	—	84,830
Loans receivable	<u>5,125</u>	<u>—</u>	<u>5,125</u>
	<u>931,857</u>	<u>1,245,000</u>	<u>2,176,857</u>
<b>Current assets</b>			
Properties held for sale	7,228	—	7,228
Investments held for trading	41,566	—	41,566
Inventories	9,866	—	9,866
Trade and other receivables	49,278	—	49,278
Loans receivable	43,255	—	43,255
Bills receivable	46,661	—	46,661
Bank balances and cash	<u>343,353</u>	<u>(343,353)</u>	<u>—</u>
	<u>541,207</u>	<u>(343,353)</u>	<u>197,854</u>

**APPENDIX III**
**UNAUDITED PRO FORMA NET ASSETS STATEMENT  
OF THE GROUP**

	The Group as at 31 March 2007 <i>HK\$'000</i> <i>(Audited)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Note)</i>	Unaudited pro forma combined total <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	46,903	901,647	948,550
Bills payable	4,648	—	4,648
Tax payable	<u>24,102</u>	<u>—</u>	<u>24,102</u>
	<u>75,653</u>	<u>901,647</u>	<u>977,300</u>
Net current assets (liabilities)	<u>465,554</u>	<u>(1,245,000)</u>	<u>(779,446)</u>
	<u>1,397,411</u>	<u>—</u>	<u>1,397,411</u>
<b>Capital and reserves</b>			
Share capital	7,942	—	7,942
Reserves	<u>1,361,236</u>	<u>—</u>	<u>1,361,236</u>
	<u>1,369,178</u>	<u>—</u>	<u>1,369,178</u>
<b>Non-current liabilities</b>			
Deferred taxation	<u>28,233</u>	<u>—</u>	<u>28,233</u>
	<u>1,397,411</u>	<u>—</u>	<u>1,397,411</u>

*Note:*

The total estimated costs of the Possible Acquisition are as follows:

	<b>HK\$'000</b>
Maximum consideration for the Possible Acquisition	1,200,000
Stamp duty wholly borne by the Group	<u>45,000</u>
	<u>1,245,000</u>

(B) Accountants' report on unaudited pro forma net assets statement of the Group



*TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED*

We report on the unaudited pro forma net assets statement of Easyknit International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the possible very substantial acquisition of a property located at Nos. 24-34 Hennessy Road, Wan Chai, Hong Kong (the "Possible Acquisition") might have affected the financial information presented, for inclusion in Section A of Appendix III to the circular of the Company dated 15 November 2007 in connection with the Possible Acquisition (the "Circular"). The basis of preparation of the unaudited pro forma net assets statement of the Group is set out in Section A of Appendix III to the Circular.

#### **Respective responsibilities of directors of the Company and reporting accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma net assets statement of the Group 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 "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma net assets statement of the Group 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 unaudited pro forma net assets statement of the Group 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 engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma net assets statement of the Group with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma net assets statement of the Group has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma net assets statement of the Group as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma net assets statement of the Group is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 March 2007 or any future date.

**Opinion**

In our opinion:

- a) the unaudited pro forma net assets statement of the Group has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group so far as such policies relate to the Group's net assets; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma net assets statement of the Group as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
15 November 2007



*The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from **Vigers Appraisal & Consulting Limited**, an independent valuer, in connection with their valuations of the properties as at 8 November 2007.*

**Vigers Appraisal & Consulting Limited**  
**International Assets Appraisal Consultants**

10th Floor, The Grande Building  
398 Kwun Tong Road  
Kwun Tong  
Kowloon  
Hong Kong



8 November 2007

The Directors  
Easyknit International Holdings Limited  
7/F., Hong Kong Spinners Industrial Building, Phase 6  
481-483 Cheung Sha Wan Road  
Kowloon  
Hong Kong

Dear Sirs,

**RE : VALUATIONS OF PROPERTIES IN HONG KONG**

In accordance with your instructions for us to value the properties to be acquired and/or owned by Easyknit International Holdings Limited and its subsidiary (hereinafter together referred to as “the Group”), we confirm that we have inspected the properties, conducted land searches at the Land Registry, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of values of the properties as at 8 November 2007 (“the Valuation Date”).

Our valuations are our opinion of market value of the properties which is defined as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing selling on an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuations have been prepared in accordance with “The HKIS Valuation Standards on Properties (First Edition 2005)” published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

Our valuations have been made on the assumption that the properties are sold in the market in their existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties.

In valuing the properties in Group I and Group II, which are intended to be held or held for investment by the Group, we have adopted the investment approach, which capitalize the rents receivable from the existing tenancies and potential reversionary market rents of the properties taking into account the rental comparables in the market.

In valuing the property in Group III which is held by the Group for future development, the direct comparison approach has been adopted with reference to comparable transactions in the market on the basis of vacant possession.

We have conducted land searches at the Land Registry but we have not scrutinised the original documents to ascertain ownership nor to verify any lease amendments which may not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are therefore approximations.

We have inspected the properties to the extent for the purpose of these valuations but we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether the properties are free from any structural or non-structural defect.

We have relied to a considerable extent on the information made available to us and we have accepted advice on such matters as planning approvals, statutory notices, easements, occupancy, tenancy status, tenure, site and floor areas. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and we have been advised by the Group that no material facts have been omitted from the information provided.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties are free from any encumbrances, restrictions and outgoings of an onerous nature which could serve to affect the value of the properties.

We enclose herewith our valuation certificates.

Yours faithfully,  
For and on behalf of  
**VIGERS APPRAISAL & CONSULTING LIMITED**  
**Gilbert K. M. Yuen**  
MRICS MHKIS RPS(GP)  
*Executive Director*

*Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 20 years' valuation experience on properties in Hong Kong.*

## SUMMARY OF VALUES

**Group I : Property to be acquired by the Group in Hong Kong**

<b>Property</b>	<b>Capital Value in existing state as at 8 November 2007</b>
1. Tai Sang Commercial Building Nos. 24-34 Hennessy Road Wan Chai Hong Kong	HK\$950,000,000
Sub-total	<u>HK\$950,000,000</u>

**Group II : Properties held by the Group for investment in Hong Kong**

<b>Property</b>	<b>Capital Value in existing state as at 8 November 2007</b>
2. Ground Floor of No. 50 Yun Ping Road Causeway Bay Hong Kong	HK\$81,000,000
3. Ground Floor Shop 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	HK\$52,400,000
4. 2nd Floor of Nos. 790, 792 and 794 Cheung Sha Wan Road Cheung Sha Wan Kowloon	HK\$ 2,150,000

<b>Property</b>	<b>Capital Value in existing state as at 8 November 2007</b>
5. 6th Floor of Nos. 650-652 Castle Peak Road and No. 18A Wing Hong Street Cheung Sha Wan Kowloon	HK\$ 7,600,000
6. Various Units of Fa Yuen Plaza No. 19 Fa Yuen Street Mong Kok Kowloon	HK\$207,000,000
7. Easy Tower No. 609 Tai Nan West Street Cheung Sha Wan Kowloon	HK\$185,000,000
8. Units A and B on 7th Floor and Carparking Spaces Nos. L8 and L11 on 4th Floor Hong Kong Spinners Industrial Building Phase 6 No. 481 Castle Peak Road Cheung Sha Wan Kowloon	HK\$33,500,000
	<hr/>
Sub-total	<u>HK\$568,650,000</u>

## Group III : Property held by the Group for future development in Hong Kong

<b>Property</b>	<b>Capital Value in existing state as at 8 November 2007</b>
9. Nos. 1 & 1A and 3 & 3A Victory Avenue Ho Man Tin Kowloon	HK\$225,000,000
	<hr/>
	Sub-total
	<u>HK\$225,000,000</u>
	<b>Grand-total</b>
	<b><u>HK\$1,743,650,000</u></b>

## VALUATION CERTIFICATE

## Group I - Property to be acquired by the Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007										
1. Tai Sang Commercial Building, Nos. 24-34 Hennessy Road, Wan Chai, Hong Kong	<p>The property comprises a 29-storey (including a basement) commercial building erected on a site of area 849.68 sq.m. or thereabouts. The basement and the ground Floor are for retail uses whilst the upper floors are offices. The building was completed in 1977.</p> <p>The property has a total gross area of 17,228.45 sq.m. (185,447 sq.ft.) approximately, with the breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Floor</th> <th>sq.m.</th> </tr> </thead> <tbody> <tr> <td>Basement</td> <td>806.48</td> </tr> <tr> <td>Ground</td> <td>751.77</td> </tr> <tr> <td>1-27/F</td> <td>15,670.2</td> </tr> <tr> <td><b>Total</b></td> <td><b>17,228.45</b></td> </tr> </tbody> </table> <p>The property is held under three Government Leases for a same of term of 999 years from 9 July 1844.</p> <p>The Government rent for the whole lot is HK\$306 per annum.</p>	Floor	sq.m.	Basement	806.48	Ground	751.77	1-27/F	15,670.2	<b>Total</b>	<b>17,228.45</b>	<p>According to the information provided by the Group, as at 8 November 2007, a shop on ground floor having a gross area of 76.64 sq.m. is leased, other portions of the ground floor and the basement are vacant, whilst three office units having a total gross floor area of 615.11 sq.m. are vacant, the remaining offices areas are leased to various tenants. The latest tenancy expiring on 10 October 2010. The total monthly rent receivable is HK\$1,403,208.7 exclusive of rates and management fees.</p>	HK\$950,000,000
Floor	sq.m.												
Basement	806.48												
Ground	751.77												
1-27/F	15,670.2												
<b>Total</b>	<b>17,228.45</b>												

*Notes:*

1. The current registered owners of the property and their respective shares are as follows:

Champion Hennessy Limited	1/5
Ma Ching Leong Daniel Ma Ching Tsun Ma Ching Hung Ma Ching Chung	1/5
Kam Chan & Company Limited	1/5
Ma Lee Sau Chun Ma Lo Chiu Fun Ma Ching Kui Ma Ching Fai Bernard	1/5
Heptacontinental Continuation Limited	19/100
Ma Kam Ming Company Limited	1/100

2. Pursuant to Wan Chai Outline Zoning Plan No. S/H5/24 dated 27 October 2006, the property lies on an area zoned for “Residential (Group A)”.

## Group II - Properties held by the Group for investment in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007
2. Ground Floor of No. 50 Yun Ping Road, Causeway Bay, Hong Kong  1/6th shares of and in The Remaining Portion of Section 1 of Inland Lot No. 457 and Section C of Sub-section 3 of Section O of Inland Lot No. 29	<p>The property comprises a shop unit on the ground floor of a 6-storey (including a basement) composite building completed in about 1955.</p> <p>The property has a saleable area of 84.08 sq.m. (905 sq.ft.) approximately.</p> <p>The property is held under two Government Leases. The lease term of Inland Lot No 29 is 982 years from 25 June 1860, and for Inland Lot No. 457 is 999 years from 24 December 1865.</p> <p>The Government rents for the whole lots are totally HK\$9.99 per annum.</p>	<p>According to the information provided by the Group, as at 8 November 2007, the property is leased for a term of 3 years commencing from 10 March 2007 at a monthly rent of HK\$320,000 exclusive of rates and management fees with an option to renew for 3 years at market rent.</p>	HK\$81,000,000

*Notes:*

1. The current registered owner of the property is Wellmake Investments Limited.
2. The property is subject to a mortgage to secure general banking facilities in favour of The Hong Kong and Shanghai Banking Corporation Limited.
3. The property is subject to a Superseding Order No. DBZ/U12/0029/03 under Section 26 of the Building Ordinance by the Building Authority (Re: common areas of the building only).
4. Pursuant to Causeway Bay Outline Zoning Plan No. S/H16/14 dated 13 September 2005, the property lies on an area zoned for "Commercial/Residential".



Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007
3. Ground Floor Shop 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  2/16th shares of and in Kwun Tong Inland Lot No. 342	<p>The property comprises a shop unit on the ground floor of an 8-storey (including a basement) composite building completed in about 1965.</p> <p>The property has a saleable area of 106.75 sq.m. (1,149 sq.ft.) plus yard of 9.29 sq.m. (100 sq.ft.) approximately.</p> <p>The property is held under a Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to 3% for the time being of the rateable value of the property.</p>	<p>According to the information provided by the Group, as at 8 November 2007, the property is leased for a term of 3 years commencing from 21 November 2005 at a monthly rent of HK\$157,000 exclusive of rates and management fees with an option to renew for 2 years at market rent.</p>	HK\$52,400,000

*Notes:*

1. The current registered owner of the property is Wellmake Investments Limited.
2. The property is subject to a mortgage to secure general banking facilities in favour of The Hong Kong and Shanghai Banking Corporation Limited.
3. Pursuant to Kwun Tong (South) Outline Zoning Plan No. S/K15S/15 dated 5 October 2007, the property lies on an area zoned for "Urban Renewal Authority Redevelopment Scheme Plan Area".

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007
4. 2nd Floor of Nos. 790, 792 and 794 Cheung Sha Wan Road, Cheung Sha Wan Kowloon  1/7th shares of and in The Remaining Portion, Subsection C and Subsection D, of Sub-section 4 of Section B of New Kowloon Inland Lot No. 3516	<p>The property comprises three industrial units on the 2nd Floor of three contiguous industrial buildings completed in about 1959.</p> <p>The property has a total saleable area of 276.94 sq.m. (2,981 sq.ft.) approximately.</p> <p>The property is held from the Government under Conditions of Sale No. 4268 for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to 3% for the time being of the rateable value of the property.</p>	<p>According to the information provided by the Group, as at 8 November 2007, the property is leased for a term of 3 years commencing from 16 April 2007 at a monthly rent of HK\$21,800 inclusive of rates and management fees with option to renew for two years at market rent.</p>	HK\$2,150,000

*Notes:*

1. The current registered owner of the property is Janson Properties Limited.
2. Pursuant to Cheung Sha Wan Outline Zoning Plan No. S/K5/30 dated 1 June 2007, the property lies on an area zoned for "Other Specified Uses (Business)".

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007
5. 6th Floor of Nos. 650-652 Castle Peak Road and No. 18A Wing Hong Street, Cheung Sha Wan, Kowloon  4/40th shares of and in Section B of New Kowloon Inland Lot No. 1750	<p>The property comprises the whole of the 6th Floor of a 9-storey industrial building completed in about 1961.</p> <p>The property has a total saleable area of 799.70 sq.m. (8,608 sq.ft.) approximately.</p> <p>The property is held under a Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to three percent for the time being of the rateable value of the property.</p>	<p>According to the information provided by the Group, as at 8 November 2007, the property is leased for a term of two years commencing from 18 April 2006 at a monthly rent of HK\$56,000 inclusive of rates and management fees.</p>	HK\$7,600,000

*Notes:*

1. The current registered owner of the property is Golden Top Properties Limited.
2. Pursuant to Cheung Sha Wan Outline Zoning Plan No. S/K5/30 dated 1 June 2007, the property lies on an area zoned for "Other Specified Uses (Business)".

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007														
6. Various Units of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mongkok Kowloon	The property comprises all the commercial units on the Ground, 1st and 2nd Floors and 2 residential units on 12th and 15th Floors respectively in a 16-storey residential building over a 3-storey commercial podium, which was completed in 2003.	According to the information provided by the Group, as at 8 November 2007, all the commercial units are leased to various tenants, which are listed in Note 4 below with a total monthly rent receivable being HK\$829,500 exclusive of rates and management fees.	HK\$207,000,000														
825/4655th shares of and in Kowloon Inland Lot No. 11123	The property has gross areas as follows: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Floor</u></th> <th style="text-align: right;"><u>sq.m.</u></th> </tr> </thead> <tbody> <tr> <td>G/F</td> <td style="text-align: right;">400.97</td> </tr> <tr> <td>Showcase G/F</td> <td style="text-align: right;">14.21</td> </tr> <tr> <td>1/F</td> <td style="text-align: right;">437.66</td> </tr> <tr> <td>2/F</td> <td style="text-align: right;">405.43</td> </tr> <tr> <td><u>Upper Floors</u></td> <td style="text-align: right;"><u>99.59</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>1,357.89</b></td> </tr> </tbody> </table> <p>The property is held from the Government under Conditions of Exchange No. 12634 for a term of 50 years commencing from 8 October 2002.</p> <p>The annual Government rent is equivalent to 3% percent for the time being of the rateable value of the property.</p>	<u>Floor</u>	<u>sq.m.</u>	G/F	400.97	Showcase G/F	14.21	1/F	437.66	2/F	405.43	<u>Upper Floors</u>	<u>99.59</u>	<b>Total</b>	<b>1,357.89</b>	The residential Unit D on 12/F is leased for 2 years commencing from 12 February 2007 at a monthly rent of HK\$8,000 inclusive of rates and management fees. The other residential unit is vacant.	
<u>Floor</u>	<u>sq.m.</u>																
G/F	400.97																
Showcase G/F	14.21																
1/F	437.66																
2/F	405.43																
<u>Upper Floors</u>	<u>99.59</u>																
<b>Total</b>	<b>1,357.89</b>																

*Notes:*

1. The property includes Shops 1, 2, 3 on Ground Floor, Showcase on Ground Floor, Shop 1 on 1st Floor, Shop 1 on 2nd Floor, Unit D on 12th Floor including air-conditioning platform(s) thereat and Unit D on 15th Floor including air-conditioning platform(s) thereat.
2. The current registered owner of the property is Mark Profit Development Limited.
3. Pursuant to Mong Kok Outline Zoning Plan No. S/K3/24 dated 9 May 2006, the property lies on an area zoned for "Residential (Group A)".

4. The commercial units of the property are subject to the leases as follows:

Premises	Lease Term	Monthly Rent	Remarks
Shop 1 G/F and 1/F Showcase	16 April 2006 to 15 April 2009	HK\$325,000 + HK\$3,000	
Shop 2, G/F	25 April 2006 to 24 April 2009	HK\$230,000	Option to renew for 2 years at 14% increment on rent
Shop 3, G/F	28 March 2007 to 27 March 2010	HK\$168,000	10% increment from 28 March 2009 to 27 March 2010; an option to renew for further 3 years at market rent
2/F	1 April 2006 to 31 March 2009	HK\$103,500	
<b>Total</b>		<b>HK\$829,500</b>	

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007
7. Easy Tower, No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon	The property comprises a 21-storey industrial/office building on a 6-storey car park podium erected on a site of area 568.66 sq.m. or thereabouts. The building was completed in 1998.	According to the information provided by the Group, as at 8 November 2007, except	HK\$185,000,000
New Kowloon Inland Lot No. 6238	The property has a total gross area of 6,917.32 sq.m. (74,458 sq.ft.) approximately plus 28 car parking spaces.  The property is held from the Government under Conditions of Exchange No. 12507 for a term of 50 years commencing from 15 December 1997.  The annual Government rent is equivalent to 3% percent for the time being of the rateable value of the property.	four units with total gross area of 325.16 sq.m. are vacant, other units are leased to various tenants with the latest expiry on 19 September 2009. The total monthly rent receivable is HK\$715,350.8 exclusive of rates and management fees.  The car parking spaces are subject to a lease for a term expiring on 30 June 2008 at a monthly rent of HK\$110,000 inclusive of rates.	

*Notes:*

1. The current registered owner of the property is Wellmake Investments Limited.
2. Pursuant to Cheung Sha Wan Outline Zoning Plan No. S/K5/30 dated 1 June 2007, the property lies on an area zoned for "Other Specified Uses (Business)".

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007
8. Units A and B on 7th Floor and Car Parking Spaces Nos. L8 and L11 on 4th Floor, Hong Kong Spinners Industrial Building, Phase 6, No. 481 Castle Peak Road, Cheung Sha Wan, Kowloon  772/11133rd shares of and in Section C of New Kowloon Inland Lot No. 3516	<p>The property comprises the whole of the two workshop units on the 7th Floor and two lorry car parking spaces on the 4th Floor of a 12-storey (including a basement) industrial building. The building was completed in 1980.</p> <p>The property has a saleable area of 1,972.50 sq.m. (21,232 sq.ft.) approximately.</p> <p>The property is held from the Government under Conditions of Sale No. 4268 for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to 3% for the time being of the rateable value of the property.</p>	According to the information provided by the Group, as at 8 November 2007, the workshop units are leased to various tenants, which are listed in Note 3 below. Unit A and Portion of Unit B (known as B3) are leased to a related company.	HK\$33,500,000

*Notes:*

- The current registered owner of the property is Wellmake Investments Limited.
- Pursuant to Cheung Sha Wan Outline Zoning Plan No. S/K5/30 dated 1 June 2007, the property lies on an area zoned for "Other Specified Uses (Business)".
- The workshop units are subject to the following leases:

Premises	Lease Term	Monthly Rent	Remarks
Unit A	1 August 2007 to 31 March 2008	HK\$186,600	Rent exclusive of rates, management fees
Unit B3	1 August 2007 to 31 March 2008	HK\$35,000	Rent exclusive of rates, management fees
Portion of Unit B	16 November 2006 to 15 November 2008	HK\$30,000	Rent inclusive of rates, management fees
Unit B1	1 December 2006 to 31 December 2008	HK\$60,000	Rent inclusive of rates, management fees
<b>Total</b>		<b>HK\$311,600</b>	

## Group III - Property held by the Group for future development in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 8 November 2007
9. Nos. 1 & 1A and 3 & 3A Victory Avenue, Homantin Kowloon  Kowloon Inland Lot No. 1343 and Kowloon Inland Lot No. 1344	<p>The property comprises a bare site having a registered site area of 464.60 sq.m. (5,001 sq.ft.) approximately.</p> <p>The property is held under two Government Leases for a same of term of 75 years from 1 December 1913 renewable for a further term of 75 years.</p> <p>The annual Government rent is HK\$18,836 per annum.</p>	According to the information provided by the Group, as at 8 November 2007, the property is vacant.	HK\$225,000,000

*Notes:*

1. The current registered owner of the property is Happy Light Investments Limited.
2. Uses of the lots under the Government Leases are virtually unrestricted except those, which are designated as offensive trades.
3. Pursuant to Ho Man Tin Outline Zoning Plan No. S/K7/18 dated 4 May 2004, the property lies on an area zoned for "Residential (Group A)".



## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, statements of fact expressed herein are true, accurate and not misleading, statements of opinion expressed herein have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

### *Authorised and issued share capital*

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
Ordinary Shares		
100,000,000,000	Shares	1,000,000,000.00
 <i>Issued and fully paid:</i>		
Ordinary Shares		
794,204,028	Shares	7,942,040.28

All the existing issued Shares rank pari passu in all respects including as to dividends, voting and return of capital.

As at the Latest Practicable Date, the Group did not have any outstanding options, warrants or other securities carrying rights of conversion into or exchange or subscription for Shares.

### 3. 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or, 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 Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

#### A. Interests in the Company

Name of Director	Nature of interest	Number of ordinary Shares (long position)	Approximate percentage of interest
Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	291,794,804	36.74%

*Note:* These Shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

#### B. Interests in associated corporations

##### 1. *Easyknit Enterprises Holdings Limited*

Name of Director	Nature of interest	Number of ordinary Shares (long position)	Approximate percentage of interest
Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	1,410,852,520	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 Limited 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 Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

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

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of non-voting deferred shares (long position)</b>	<b>Approximate percentage of interest</b>
Lui Yuk Chu	<i>(Note b)</i>	2	100%

*Notes:*

- (a) All the issued ordinary shares in the share capital of Wellmake which carry voting rights were held by the Company.
- (b) One non-voting deferred share was held by Ms. Lui Yuk Chu as beneficial owner and the other one was held by her spouse, Mr. Koon Wing Yee.

Save as disclosed above, as at 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/or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified 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 Director or 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 Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## 4. SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (“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 of the Company which would fall to be disclosed to the Company under the provision 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 meetings of any other member of the Group, or, had any options in respect of such capital are set out below:

Name of Substantial Shareholder	Nature of interest	Number of ordinary Shares (long position)	Approximate percentage of interest
Koon Wing Yee ( <i>Note a</i> )	Interest of spouse	291,794,804	36.74%
Magical Profits Limited ( <i>Notes a &amp; b</i> )	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited ( <i>Notes a &amp; b</i> )	Interest of controlled corporation	291,794,804	36.74%
Hang Seng Bank Trustee International Limited ( <i>Notes a &amp; c</i> )	Trustee	291,794,804	36.74%
Hang Seng Bank Limited ( <i>Note c</i> )	Interest of controlled corporation	291,794,804	36.74%
The Hongkong and Shanghai Banking Corporation Limited ( <i>Notes c &amp; d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings BV ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings (UK) ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings BV ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Finance (Netherlands) ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings plc ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%

*Notes:*

- (a) The 291,794,804 Shares relate to the same block of Shares. These Shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was a wholly-owned subsidiary of Accumulate More Profits

Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu was deemed to be interested in the 291,794,804 Shares by virtue of the SFO.

- (b) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited and Accumulate More Profits Limited.
- (c) Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited was owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited.
- (d) The 291,794,809 Shares relate to the same block of Shares. Out of the 291,794,809 Shares, 291,794,804 Shares were registered in the name of and were beneficially owned by Magical Profits Limited. The remaining 5 Shares were held by HSBC Broking Securities (Asia) Limited, which was a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn was wholly-owned by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons who had an interest or short position in the Shares or underlying shares of the Company 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 meetings of any other member of the Group or had any options in respect of such capital.

## **5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

## **6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any neither existing nor proposed service contracts with any member of the Group, save for the contracts which will expire or are terminable by the Group within one year without payment of compensation, other than statutory compensation.

## **7. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

A tenancy agreement dated 18 September 2006 was entered into between Wellmake Investment Limited, a wholly-owned subsidiary of the Company, and Neo Apparel Limited, of which Mr. Tse Wing Chiu, Ricky, a Director, is a director and a shareholder, in respect of the leasing of a commercial/industrial unit for a period of two years commencing from 1 October 2006 at a monthly rental of HK\$19,954.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which had been, since 31 March 2007, 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.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

## **8. EXPERTS' QUALIFICATIONS AND CONSENTS**

The following are the qualifications of the experts whose letters and reports (as the case may be) are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Vigers Appraisal & Consulting Limited	Independent professional valuer
Deloitte Touche Tohmatsu	Certified public accountants

Each of Vigers Appraisal & Consulting Limited and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report (as the case may be) and the references to its name, in the form and context in which they are included.

As at the Latest Practicable Date, none of Vigers Appraisal & Consulting Limited and Deloitte Touche Tohmatsu had 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.

As at the Latest Practicable Date, none of Vigers Appraisal & Consulting Limited and Deloitte Touche Tohmatsu had any direct or indirect interest in any assets which had been, since 31 March 2007, 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.

## **9. LITIGATION**

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 was 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.

**10. 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 circular and are or may be material:

- (a) the underwriting agreement dated 7 March 2006 entered into between the Company and Get Nice Investment Limited in relation to the underwriting and certain other arrangement in respect of a rights issue of the Company;
- (b) the agreement date 6 June 2006 entered into between Easyknit Properties Holdings Limited, a wholly owned subsidiary of the Company, as the purchaser and Ng Chi Keung as the vendor for the sale and purchase of the entire share capital of Happy Light Investment Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ng Chi Keung and all sums owed by Happy Light Investment Limited to Ng Chi Keung on 22 July 2006, whether or not then due for payment;
- (c) the 7 sale and purchase agreements entered into between Happy Light Investment Limited and the respective vendors of the properties at G/F, 2/F, 3/F, 4/F, 5/F and the roof of 1 Victory Avenue, Kowloon; 1/F to 3/F and the roof of 1A Victory Avenue, Kowloon, 3 and 3A Victory Avenue, Kowloon (“Building”);
- (d) the consultancy agreement dated 10 May 2006 entered into by Happy Light Investment Limited and Rich Era Development Limited, which was subsequently amended by the supplemental agreement dated 22 May 2006 entered into by Happy Light Investment Limited and Rich Era Development Limited for appointment of Rich Era as a consultant to Happy Light in connection to the acquisition of the Building as mentioned in sub-paragraph (c) above;
- (e) the binding provisional sale and purchase agreement dated 26 June 2007 entered into between Cheong Ko Investment Company Limited (“Cheong Ko”), a wholly-owned subsidiary of the Company, as the vendor, Deluxe Mind Investment Limited as the purchaser and Midland Realty (Shops) Limited as the agent in respect of the disposal of the premises situated on ground floor including cockloft of No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong (“Premises”);
- (f) the agreement for sale and purchase dated 3 August 2007 entered into between Cheong Ko as the vendor and Deluxe Mind Investment Limited as the purchaser in respect of the disposal of the Premises as mentioned in sub-paragraph (e) above.

**11. MISCELLANEOUS**

- (a) The secretary of the Company is Chan Po Cheung, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (b) The qualified accountant of the Company is Chan Po Cheung, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (c) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business of the Company in Hong Kong is at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the offices of the Company at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:-

- (a) the memorandum of association and Bye-Laws of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 March 2006 and 31 March 2007;
- (c) the letter from Deloitte Touche Tohmatsu on the unaudited pro forma net assets statement of the Group, the text of which is set out in Appendix III to this circular;
- (d) the property valuation of the Group, the text of which is set out in Appendix IV to this circular;
- (e) the letters of consent referred to in the section headed "Experts' Qualifications and Consents" in this appendix;
- (f) the material contracts referred to in the section headed "Material Contracts" in this appendix;



- (g) the circular of the Company dated 24 October 2007 in relation to (i) the investments by the Company from the market of an aggregate of 1,000,000 overseas listed foreign shares of RMB1.00 each in the share capital of Petrochina Company Limited on 27 September 2007; and/or (ii) the investments by the Company from the market of an aggregate of 212,000 shares of HK\$1.00 each in the share capital of Hong Kong Exchanges and Clearing Limited on 8 October 2007; and/or (iii) the investments by the Company from the market of an aggregate of 572,000 shares of HK\$0.10 each in the share capital of China Mobile Limited during the period from 13 July 2007 to 8 October 2007; and
  
- (h) the circular of the Company dated 18 July 2007 in relation to the disposal of premises situated on ground floor including cockloft of No.31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong pursuant to the binding provisional and purchase agreement dated 26 June 2007 entered into between Deluxe Mind Investments Limited, Cheong Ko Investment Company Limited (a wholly-owned subsidiary of the Company) and Midland Realty (Shops) Limited at a consideration of HK\$92,800,000.

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## NOTICE OF THE SPECIAL GENERAL MEETING

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### EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1218)

**NOTICE IS HEREBY GIVEN THAT** the Special General Meeting of the members of Easyknit International Holdings Limited will be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 30 November 2007 at 9:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

**“THAT:**

1. the acquisition by the Company of the property named Tai Sang Commercial Building located at Nos. 24-34 Hennessy Road, Wan Chai, Hong Kong (the “Property”) at the auction by order of the court on an “as-is” basis and with vacant possession for the vacant portion and subject to existing tenancies for the tenanted portion to be held on 30 November 2007 but including any replacement thereof or alternative thereto including but not limited to any tender for the Property or purchase of the Property by private treaty (the “Auction”), if the bid by the Company is successful (the “Possible Acquisition”) at a total consideration of up to HK\$1,200,000,000, being the maximum price which the Company is willing to consider paying, the details of which are described in the circular of the Company dated 15 November 2007, be and is hereby approved; and
2. the board of directors of the Company be and are hereby authorised to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company) as might in their opinion be necessary, desirable or expedient in connection with the bid for the Property at the Auction and, if the bid is successful, the Possible Acquisition.

By Order of the Board of  
**Easyknit International Holdings Limited**  
**Tse Wing Chiu, Ricky**  
*President and Chief Executive Officer*

Hong Kong, 15 November 2007

\* *For identification only*

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## NOTICE OF THE SPECIAL GENERAL MEETING

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**Notes:**

1. Any shareholder entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend and vote at the Meeting. The proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation is entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder can exercise.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be delivered to the Company's head office and 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding the Meeting.
3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting or upon the poll concerned and, in such event, the instrument appointing a proxy is deemed to be revoked.
4. Where there are joint registered holders of any share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands is for this purpose deemed joint holders thereof.
5. A form of proxy for use at the Meeting convened by the above notice is enclosed.