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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)**

**MAJOR AND DISCLOSEABLE TRANSACTION**

**IN RELATION TO THE PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
TRUMP ELEGANT INVESTMENT LIMITED  
(THE PROPOSED ACQUIRER OF THE PROPERTIES)**

**AND**

**LOAN TO TRUMP ELEGANT INVESTMENT LIMITED**

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A letter from the board of directors of Easyknit International Holdings Limited is set out on pages 4 to 11 of this circular.

A notice convening a special general meeting of Easyknit International Holdings Limited ("SGM") to be held on 25 August 2008 at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. is set out on pages 95 to 96 of this circular. Whether or not shareholders are able to attend the SGM, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM or any adjournment thereof, should they so wish.

\* For identification only

8 August 2008

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## DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share by Easyknit Properties subject to the terms and conditions of the Agreement
“Agreement”	an agreement dated 24 June 2008 entered into between Easyknit Properties and the Seller for the sale and purchase of the Sale Share
“associates”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Building”	the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong)
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share
“Completion Date”	the date of completion of the Agreement, which is expected to be on 1 September 2008, or such other date as the parties may agree in writing
“Consideration”	consideration of HK\$8.3 million to be paid for the sale and purchase of the Sale Share
“Director(s)”	director(s) of the Company
“Easyknit Properties”	Easyknit Properties Holdings Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary 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
“Independent Third Party”	a third party independent of the Company and of connected persons (as defined in the Listing Rules) of the Company

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## DEFINITIONS

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“Latest Practicable Date”	1 August 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan of an amount or amounts not exceeding HK\$32 million in aggregate to be advanced by Easyknit Properties to Trump Elegant
“Option”	the option granted by the Seller to Easyknit Properties to request the Seller to purchase the Sale Share from Easyknit Properties after the Completion, under certain circumstances as set out in this circular
“Ordinance”	the Land (Compulsory Sale for Redevelopment) Ordinance, Cap 545, Laws of Hong Kong
“Properties”	collectively Flats 1, 2 and 4 on the Ground Floor, Flats 1, 2, 3 and 4 on the First Floor, and Flats 1, 2, 3 and 4 on the Second Floor of the Building, which are subject to the Property Purchase Agreements
“Property Purchase Agreement(s)”	the 11 agreement(s) for sale and purchase entered into between Trump Elegant and each of the Property Vendor(s) in relation to the sale and purchase of the Properties
“Property Vendors”	the respective vendor(s) of each of the Property Purchase Agreement(s), each of which are Independent Third Parties
“Remaining Unit”	Flat 3 on the Ground Floor of the Building
“SGM”	the special general meeting of the Company, notice of which is set out in this circular, to approve, amongst other things, the Agreement and the transactions contemplated therein
“Sale Share”	one ordinary share of HK\$1.00 in the share capital of Trump Elegant, which will represent the entire issued share capital of Trump Elegant at Completion
“Seller”	Ng Kwai Tung, an individual who is an Independent Third Party
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trump Elegant”	Trump Elegant Investment Limited, a company incorporated under the laws of Hong Kong, which is wholly-owned by the Seller
“%”	Percentage or per centum

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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. Kwong Jimmy Cheung Tim  
*(President and Chief Executive Officer)*  
Ms. Lui Yuk Chu *(Vice President)*

*Non-executive Director:*

Mr. Tse Wing Chiu, Ricky

*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:*

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

8 August 2008

*To the Shareholders,*

Dear Sir or Madam,

**MAJOR AND DISCLOSEABLE TRANSACTION**

**IN RELATION TO THE PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
TRUMP ELEGANT INVESTMENT LIMITED  
(THE PROPOSED ACQUIRER OF THE PROPERTIES)**

**AND**

**LOAN TO TRUMP ELEGANT INVESTMENT LIMITED**

**INTRODUCTION**

It was stated in the announcement of the Company dated 27 June 2008 that, amongst other things, on 24 June 2008, Easyknit Properties, a wholly-owned subsidiary of the Company, as the buyer, had

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## LETTER FROM THE BOARD

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entered into the Agreement with the Seller, pursuant to which amongst other things, Easyknit Properties conditionally agreed to acquire, and the Seller agreed to sell the Sale Share for a total consideration of HK\$8.3 million. The Sale Share represents the entire issued share capital of Trump Elegant.

Under the Agreement, Easyknit Properties also agreed to advance the Loan to Trump Elegant up to an aggregate amount not exceeding HK\$32 million. The Loan is personally guaranteed by the Seller.

Trump Elegant is the purchaser under the Property Purchase Agreements. The acquisition of Trump Elegant will enable the Group to acquire the Properties, which represent 11 of the 12 units in the Building.

Trump Elegant is committed to paying various sums as deposits and/or balance of the purchase price under the Property Purchase Agreements. The Loan to Trump Elegant is to be used exclusively in and towards such payments, to avoid default on the part of Trump Elegant in making deposits under the Property Purchase Agreements.

The Properties represent over 90% of the undivided shares of the Building (as contemplated by section 3(1) of the Ordinance). The Group intends to acquire the Remaining Unit so as to be the owner of the whole Building, which it at present contemplates redeveloping if and when the Directors consider market sentiment to be appropriate.

As the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction under Rule 14.06(3) of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. The Acquisition is conditional upon, among other things, the approval of the Shareholders of the Company at the SGM.

The Loan constitutes financial assistance for the purposes of Chapter 14 of the Listing Rules. The applicable percentage ratios (as defined in the Listing Rules) of the amount constituting the Loan exceed 5% but are less than 25%, and hence the Loan constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules.

The purpose of this circular is to provide you with further information on, among other things, the Acquisition, the valuation report on the Properties and notice convening the SGM.

### THE AGREEMENT

#### Date

24 June 2008

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## LETTER FROM THE BOARD

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### Parties

- i) the Seller
- ii) Easyknit Properties, as the buyer

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Seller is an Independent Third Party. Prior to the Agreement, there were no arrangements between the Company and the Seller in relation to the Property Purchase Agreements.

### Assets to be Acquired

Pursuant to the Agreement, amongst other things, Easyknit Properties has conditionally agreed to acquire from the Seller the Sale Share, representing the entire issued share capital of Trump Elegant.

### Loan

Under the Agreement, Easyknit Properties has agreed to advance the Loan to Trump Elegant on the terms and subject to the conditions of the Agreement.

From time to time on the request of the Seller on behalf of Trump Elegant and against issue to it of a promissory note in the relevant amount, Easyknit Properties will advance to Trump Elegant the amount requested as part of the Loan, but if and to the extent only that the aggregate amount so advanced would not, as a result of such advance, exceed HK\$32 million. The Loan is to be used exclusively in and towards payment of the deposits and/or balance of the purchase price in respect of the Property Purchase Agreements, which, at the date of the Agreement is estimated to be approximately HK\$32 million.

The Loan will be made from internal resources of the Group and is interest free, repayable on demand and personally guaranteed by the Seller.

### Conditions Precedent

Completion of the Agreement is conditional upon the fulfilment of the following conditions on or prior to the Completion Date:

- (a) entry into Property Purchase Agreements in respect of all the Properties;
- (b) the Agreement and the transactions contemplated therein being duly approved by the Shareholders of the Company at the SGM in accordance with the Listing Rules;



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## LETTER FROM THE BOARD

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- (c) none of the Property Vendors under any of the Property Purchase Agreements having served a notice to the effect or the effect of which is that the completion of any of the Property Purchase Agreements will not take place;
- (d) no event having occurred which in the reasonable opinion of Easyknit Properties could be construed as being capable of preventing completion of the Property Purchase Agreements, or which could frustrate or make illegal or impossible the completion of the Property Purchase Agreements or make any of them unenforceable; and
- (e) a due diligence review being carried out on Trump Elegant by, and having been completed to the satisfaction of, Easyknit Properties in its sole discretion.

The Seller is also required to prove good title of the Properties to Easyknit Properties.

The completion of the Property Purchase Agreements is not conditional on the completion of the Agreement.

### **Consideration**

The consideration for the Sale Share is HK\$8.3 million, which shall be paid by Easyknit Properties to the Seller in cash on Completion.

The consideration of HK\$8.3 million was determined after arm's length negotiations between the Easyknit Properties and the Seller after taking into consideration the fair value of the Sale Share and Trump Elegant, which is the purchaser in the Property Purchase Agreements, and the future development potential of the Properties.

### **Source of Funding**

The Group will fund the Acquisition by internal resources of the Group.

### **Option**

Pursuant to the Agreement, the Seller granted to Easyknit Properties the right to require the Seller to purchase from Easyknit Properties, all but not part only of the Sale Share if completion of any of the Property Purchase Agreements does not take place, at a consideration equivalent to the aggregate of (i) HK\$8.3 million and (ii) the total sum paid by Trump Elegant and/or Easyknit Properties and/or any of their respective associates under any of the Property Purchase Agreements after the Completion Date. The Option may be exercised by Easyknit Properties by notice in writing to the Seller any time on or before 31 October 2008.

The Company will comply with the relevant disclosure requirements under Chapter 14 of the Listing Rules if and when the Option is exercised or terminated.

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## LETTER FROM THE BOARD

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### **Acquisition of the Properties by Trump Elegant**

On 22 May 2008, 23 May 2008, 24 May 2008, 4 June 2008, 13 June 2008 and 16 June 2008, Trump Elegant entered into 11 sale and purchase agreements with 9 different Property Vendors for the acquisition of a total of 11 units in the Building. The completion of all the Property Purchase Agreements is expected to be on or before 11 October 2008. The total consideration for the acquisition of the Properties under the Property Purchase Agreements is HK\$112.7 million.

As at the Latest Practicable Date, Trump Elegant has paid a total of HK\$35.01 million under the Property Purchase Agreements (representing approximately 31.06% of the total consideration under all of the Property Purchase Agreements) to the Property Vendors. Upon completion of the Property Purchase Agreements on or before 11 October 2008, Trump Elegant will have to pay the balance of the consideration in the sum of HK\$77.69 million to the Property Vendors. If the Agreement completes on the Completion Date, Trump Elegant will then become a wholly-owned subsidiary of the Group. Hence, the Group will be responsible for paying the balance of the purchase price for the Properties to the Property Vendors upon completion of the Property Purchase Agreements, through Trump Elegant.

### **Source of funding**

The Group will fund the balance of the purchase price for the acquisition of the Properties from internal resources of the Group.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group's principal businesses are in garment sourcing and export, property investments and development, investment in securities and loan financing.

The Group currently holds various commercial and industrial properties in Hong Kong. Trump Elegant is the purchaser under the Property Purchase Agreements. The acquisition of the entire issued share capital of Trump Elegant will enable the Group to acquire the Properties, which represent 11 of the 12 units in the Building.

Trump Elegant is committed to paying various sums as deposits and/or balance of the purchase price under the Property Purchase Agreements. The Loan to Trump Elegant is to be used exclusively in and towards such payments, to avoid any default on the part of Trump Elegant under the Property Purchase Agreements.

The Properties represent over 90% of the undivided shares of the Building (as contemplated by section 3(1) of the Ordinance). The Group intends to acquire the Remaining Unit so as to be the owner of the whole Building, which it at present contemplates redeveloping if and when the Directors consider market sentiment to be appropriate.

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## LETTER FROM THE BOARD

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The Ordinance provides, in summary, that the person or persons who own not less than 90% of the undivided shares in a lot (the “Majority Owner”) may make an application to the Lands Tribunal, accompanied by a valuation report (prepared not earlier than 3 months before the date of the application), for an order to sell all the undivided shares in the lot for redevelopment purposes (the “Sale Order”). The Lands Tribunal determine the application by hearing the objections of the minority owners (if any) in respect of the value of any property assessed, or in the case where the minority owners cannot be found, requiring the Majority Owner to satisfy the Lands Tribunal that the value of the minority owner’s property is not less than fair and reasonable. The Lands Tribunal must also be satisfied, among other things, that the redevelopment of the lot is justified and the Majority Owner has taken reasonable steps to acquire all the undivided shares in the lot including negotiating for the purchase of such of those shares as are owned by minority owners on terms that are fair and reasonable, before it makes the Sale Order.

Under section 5(1) of the Ordinance, where a Sale Order is granted, the lot shall be sold by (a) public auction, or (b) by any other means agreed in writing by each minority owner and Majority Owner of the lot and approved by the Lands Tribunal. Section 5(5) of the Ordinance requires that if the lot is to be sold by auction, it shall be sold to the highest bidder at the auction. It is stated in section 5(5)(b) of the Ordinance that nothing in the Ordinance shall operate to prevent the Majority Owner or the minority owner from being the purchaser of the lot.

Where the Majority Owner is the purchaser of the lot, under section 6 of the Ordinance, it is not required to pay the full purchase price for the lot to the trustees, but to pay not less than the proportion of the amount that the trustees calculate is necessary for it to purchase all the undivided shares in the lot not already owned by it.

The Directors are optimistic about the prospects of acquiring the whole Building should the completion of the Agreement proceed. The Company will comply with all applicable requirements under the Listing Rules if and when a sale and purchase agreement in respect of the Remaining Unit is entered into.

Based on the valuation by independent valuers, the current market value of a 100% interest in the Building with vacant possession was HK\$160 million as at 30 June 2008. A copy of this valuation report is included in Appendix V of this circular.

Four of the Properties are subject to tenancy agreements that by their terms may still be in force at the latest time for completion of the Property Purchase Agreements, but it is a term of the Agreement that vacant possession of those Properties will be delivered within 12 months of the date of the Agreement.

The Acquisition will enable the Group to expand its property investment portfolio, and provide the Group with further potential income from property development.

The Directors are of the view that the Acquisition, the Loan and the purchase of the Properties by Trump Elegant are in the interests of the Group and are on normal commercial terms, which are fair and reasonable and in the interest of the Shareholders as a whole.

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## LETTER FROM THE BOARD

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

As rental income will be generated from the Properties, the acquisition of Trump Elegant and the Properties will lead to a small increment on the Group's earnings of approximately HK\$556,000 for the year ending 31 March 2009 and such earnings will decrease as the tenancies expire.

On market value basis, the effect of the acquisition of the Properties is that (i) the properties held for development by the Group will increase by approximately HK\$121 million and (ii) the cash reserve will decrease by approximately HK\$121 million. The acquisition of Trump Elegant, the Loan, the acquisition of Properties and the proposed acquisition of the Remaining Unit will have no potential effect on the Group's liabilities before Completion because the Group will only utilise its internal resources for the expenses and costs incurred in the Acquisition and the Loan.

The Directors are of the view that the Acquisition, the Loan and the purchase of the Properties by Trump Elegant as a whole is in the interest of the Group and is on normal commercial terms, which are fair and reasonable and in the interest of the Shareholders as a whole.

### INFORMATION ON TRUMP ELEGANT

Trump Elegant was incorporated on 24 April 2008 and has never carried on any business save for entering into the Property Purchase Agreements. Accordingly, from the date of incorporation of Trump Elegant up until the date of the Agreement, there are no net profits attributable to Trump Elegant. The net asset value of Trump Elegant as at 24 June 2008 is HK\$1.00.

Its sole material assets are the deposits paid under the Property Purchase Agreements and its liabilities consist of a debt (owed to the Seller) of approximately HK\$3.1 million.

### SGM

A notice convening the SGM of the Company to be held on 25 August 2008 at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. is set out on pages 95 to 96 of this circular. An ordinary resolution will be proposed at the SGM for the Shareholders to approve the Agreement and all transactions contemplated thereunder.

No Shareholder has any material interest in the Acquisition or the Loan. Therefore, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Acquisition and the Loan.

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## LETTER FROM THE BOARD

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A form of proxy for use at the SGM is enclosed. Whether or not Shareholders are able to attend the SGM in person, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof in person, should they so wish.

### RECOMMENDATION

The Board believes that the Acquisition, the Loan and the purchase of the Properties by Trump Elegant is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and all transactions contemplated thereunder.

### ADDITIONAL INFORMATION

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

By Order of the Board  
**Easyknit International Holdings Limited**  
**Kwong Jimmy Cheung Tim**  
*President and Chief Executive Officer*

## 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 2008 as published in the 07/08 and 06/07 annual reports of the Company. No qualified opinions were issued by the Company's auditor for any of the three years ended 31 March 2008.

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2008*

	2008	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	521,339	557,737	489,715
Cost of sales	<u>(424,141)</u>	<u>(454,276)</u>	<u>(400,355)</u>
Gross profit	97,198	103,461	89,360
Other income	24,037	14,686	9,386
Distribution costs	(11,747)	(14,526)	(12,689)
Administrative expenses	(45,460)	(50,868)	(49,459)
Gain arising on change in fair value of investment properties	52,928	7,370	189,730
Impairment loss on available-for-sale investments	(33,163)	(121,465)	—
Impairment loss on loans receivable		(2,160)	—
Impairment loss on trade and other receivables		(20)	(33,513)
(Loss) gain on fair value changes of investments held for trading	(9,690)	1,235	12
Loss on disposal of available-for-sale investments	(7,594)	(43,027)	—
Loss on disposal of investment properties		—	(1,136)
Share of results of associates	(6,399)	(4,125)	(4,548)
Finance costs	<u>(10)</u>	<u>(31)</u>	<u>(4,609)</u>
Profit (loss) before taxation	60,100	(109,470)	182,534
Taxation credit (change)	<u>4,236</u>	<u>(6,127)</u>	<u>(9,683)</u>
Profit (loss) for the year attributable to equity holders of the Company	<u>64,336</u>	<u>(115,597)</u>	<u>172,851</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED BALANCE SHEET***At 31 March 2008*

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	16,428	17,938	24,190
Properties held for development	—	156,283	—
Investment properties	566,680	606,170	589,700
Intangible asset	921	921	921
Interests in associates	94,438	60,590	62,887
Available-for-sale investments	79,812	84,830	93,987
Loans receivable	83	5,125	—
	<u>758,362</u>	<u>931,857</u>	<u>771,685</u>
<b>Current assets</b>			
Properties held for development	178,587	—	—
Properties held for sale	1,822	7,228	14,426
Investments held for trading	139,033	41,566	3,600
Inventories	2,942	9,866	7,766
Trade and other receivables	32,143	49,278	72,226
Loans receivable	134,000	43,255	66,053
Bills receivable	30,826	46,661	17,220
Tax recoverable	368	—	301
Bank balances and cash	281,315	343,353	174,580
	<u>801,036</u>	<u>541,207</u>	<u>356,172</u>
<b>Current liabilities</b>			
Trade and other payables	40,482	46,903	41,754
Bills payable	3,566	4,648	4,514
Tax payable	23,978	24,102	24,364
Bank borrowings	—	—	3,819
	<u>68,026</u>	<u>75,653</u>	<u>74,451</u>
<b>Net current assets</b>	<u>733,010</u>	<u>465,554</u>	<u>281,721</u>
	<u><u>1,491,372</u></u>	<u><u>1,397,411</u></u>	<u><u>1,053,406</u></u>

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

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	7,942	7,942	132,367
Reserves	<u>1,461,587</u>	<u>1,361,236</u>	<u>898,561</u>
	1,469,529	1,369,178	1,030,928
<b>Non-current liabilities</b>			
Deferred taxation	<u>21,843</u>	<u>28,233</u>	<u>22,478</u>
	<u>1,491,372</u>	<u>1,397,411</u>	<u>1,053,406</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 89 of the annual report of the Company for the year ended 31 March 2008.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	<i>NOTES</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Turnover	7	521,339	557,737
Cost of sales		<u>(424,141)</u>	<u>(454,276)</u>
Gross profit		97,198	103,461
Other income		24,037	14,686
Distribution and selling expenses		(11,747)	(14,526)
Administrative expenses		(45,460)	(50,868)
Gain arising on change in fair value of investment properties		52,928	7,370
Impairment loss on available-for-sale investments	9	(33,163)	(121,465)
Impairment loss on loans receivable		—	(2,160)
Impairment loss on trade and other receivables		—	(20)
(Loss) gain on fair value changes of investments held for trading		(9,690)	1,235
Loss on disposal of available-for-sale investments		(7,594)	(43,027)
Share of results of associates		(6,399)	(4,125)
Finance costs — interest on bank borrowings wholly repayable within five years		<u>(10)</u>	<u>(31)</u>
Profit (loss) before taxation	10	60,100	(109,470)
Taxation credit (charge)	12	<u>4,236</u>	<u>(6,127)</u>
Profit (loss) for the year attributable to equity holders of the Company		<u>64,336</u>	<u>(115,597)</u>
Basic earnings (loss) per share	14	<u>HK\$0.081</u>	<u>HK\$(0.260)</u>

## CONSOLIDATED BALANCE SHEET

At 31 March 2008

	<i>NOTES</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	16	16,428	17,938
Properties held for development	17	—	156,283
Investment properties	18	566,680	606,170
Intangible asset	19	921	921
Interests in associates	20	94,438	60,590
Available-for-sale investments	21	79,812	84,830
Loans receivable	26	83	5,125
		<u>758,362</u>	<u>931,857</u>
<b>Current assets</b>			
Properties held for development	17	178,587	—
Properties held for sale	22	1,822	7,228
Investments held for trading	23	139,033	41,566
Inventories	24	2,942	9,866
Trade and other receivables	25	32,143	49,278
Loans receivable	26	134,000	43,255
Bills receivable	27	30,826	46,661
Tax recoverable		368	—
Bank balances and cash	28	281,315	343,353
		<u>801,036</u>	<u>541,207</u>
<b>Current liabilities</b>			
Trade and other payables	29	40,482	46,903
Bills payable	30	3,566	4,648
Tax payable		23,978	24,102
		<u>68,026</u>	<u>75,653</u>
<b>Net current assets</b>		<u>733,010</u>	<u>465,554</u>
		<u>1,491,372</u>	<u>1,397,411</u>
<b>Capital and reserves</b>			
Share capital	31	7,942	7,942
Reserves		1,461,587	1,361,236
		1,469,529	1,369,178
<b>Non-current liabilities</b>			
Deferred taxation	33	21,843	28,233
		<u>1,491,372</u>	<u>1,397,411</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	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 (note a)	HK\$'000	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000	HK\$'000 (note d)	HK\$'000	HK\$'000	HK\$'000
At 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
Rights issue of shares at a price of HK\$0.12 per rights share (see note 31(b))	66,184	13,237	—	—	—	—	—	—	—	—	79,421
Rights issue of shares at a price of HK\$0.35 per rights share (see note 31(c))	5,956	202,522	—	—	—	—	—	—	—	—	208,478
Share issue expenses	—	(1,841)	—	—	—	—	—	—	—	—	(1,841)
Reduction of share capital upon capital reorganisation (see note 31(a))	(196,565)	—	196,565	—	—	—	—	—	—	—	—
Transfer of share option reserve to accumulated profits	—	—	—	—	—	—	—	—	(1,900)	1,900	—
At 31 March 2007 and 1 April 2007	7,942	218,330	196,565	2,565	9,800	220,937	(28,190)	2,521	—	738,708	1,369,178
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(8,541)	—	—	—	(8,541)
Share of translation reserve of associates	—	—	—	3,799	—	—	—	—	—	—	3,799
Net income (expenses) recognised directly in equity	—	—	—	3,799	—	—	(8,541)	—	—	—	(4,742)
Released on disposal of available-for-sale investments	—	—	—	—	—	—	7,594	—	—	—	7,594
Impairment loss on available-for-sale investments	—	—	—	—	—	—	33,163	—	—	—	33,163
Profit for the year	—	—	—	—	—	—	—	—	—	64,336	64,336
Total recognised income and expenses for the year	—	—	—	3,799	—	—	32,216	—	—	64,336	100,351
At 31 March 2008	7,942	218,330	196,565	6,364	9,800	220,937	4,026	2,521	—	803,044	1,469,529

*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 2008

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit (loss) before taxation	60,100	(109,470)
Adjustments for:		
Share of results of associates	6,399	4,125
Interest income	(17,484)	(11,492)
Interest expense	10	31
Depreciation of property, plant and equipment	1,140	1,510
Impairment loss on available-for-sale investments	33,163	121,465
Impairment loss on loans receivable	—	2,160
Impairment loss on inventories	—	1,021
(Reversal of impairment loss) impairment loss on trade and other receivables	(12)	20
Loss on disposal of available-for-sale investments	7,594	43,027
Dividend income from listed investments	(2,503)	(1,275)
Loss (gain) on fair value changes of investments held for trading	9,690	(1,235)
Gain arising on change in fair value of investment properties	<u>(52,928)</u>	<u>(7,370)</u>
Operating profit before movements in working capital	45,169	42,517
Increase in properties held for development	(22,304)	(156,283)
Decrease in properties held for sale	5,406	7,198
Decrease (increase) in inventories	6,924	(3,121)
(Increase) decrease in loans receivable	(85,703)	15,513
Increase in investments held for trading	(107,157)	(36,731)
Decrease in trade and other receivables	17,147	22,928
Decrease (increase) in bills receivable	15,835	(29,441)
(Decrease) increase in trade and other payables	(6,421)	5,149
(Decrease) increase in bills payable	<u>(1,082)</u>	<u>134</u>
Cash used in operations	(132,186)	(132,137)
Hong Kong Profits Tax paid	(2,646)	(634)
Hong Kong Profits Tax refunded	<u>—</u>	<u>301</u>
Net cash used in operating activities	<u>(134,832)</u>	<u>(132,470)</u>

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

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from investing activities		
Proceeds from disposal of investment properties	92,418	—
Proceeds from disposal of available-for-sale investments	50,417	29,577
Interest received	17,484	11,492
Dividend received from listed investments	2,503	1,275
Proceeds from disposal of property, plant and equipment	576	—
Purchase of available-for-sale investments	(53,940)	(21,472)
Capital contribution to associates	(36,448)	—
Purchase of property, plant and equipment	<u>(206)</u>	<u>(1,837)</u>
Net cash from investing activities	<u>72,804</u>	<u>19,035</u>
Cash flows from financing activities		
Interest paid	(10)	(31)
Proceeds from issue of new shares	—	287,899
Bank borrowings raised	—	26,188
Repayment of bank borrowings	—	(30,007)
Share issue expenses paid	<u>—</u>	<u>(1,841)</u>
Net cash (used in) from financing activities	<u>(10)</u>	<u>282,208</u>
Net (decrease) increase in cash and cash equivalents	(62,038)	168,773
Cash and cash equivalents at beginning of the year	<u>343,353</u>	<u>174,580</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u><u>281,315</u></u>	<u><u>343,353</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the year ended 31 March 2008****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 of 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 (“HK\$” or “HKD”), which is the functional currency of the Company.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) has applied, for the first time, the following new Standard, Amendment and Interpretations (“INTs”) (collectively “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 “Financial instruments: Disclosure and presentation” has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) - INT 12	Service concession arrangements <sup>3</sup>
HK(IFRIC) - INT 13	Customer loyalty programmes <sup>4</sup>
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>3</sup>

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

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new, revised or amended Standards and INTs may have impact on the results and financial position of the Group but the directors of the Company are still assessing the impact.

### 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 Hong Kong Financial Reporting Standards 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 sold and services provided in the normal 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 equity 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 property 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 property 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**

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure, except for the properties transferred from property, plant and equipment, which are measured at fair value at the date of transfer. 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 and 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 development**

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

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

Purchase costs for properties held for development which commencement of development is uncertain are stated at cost less accumulated impairment losses and are reclassified as current assets when the timing of development is ascertained and accounted for as properties held for development (see above).

**Properties held for sale**

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

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, 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 (“FVTPL”)) 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 at fair value through profit and loss are recognised immediately in profit or loss.

*Financial assets*

The Group’s financial assets are classified into one of the three categories, including financial assets at FVTPL, 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.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the initial carrying amount of the asset.

Income is recognised on an effective interest basis for debt instruments.

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit and loss excludes any dividend or interest earned on the financial assets.

*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 trade and other receivables, loans receivable, bills receivable and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, 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 (see accounting policy on impairment of financial assets below).

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loans receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

***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 classified as other financial liabilities.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

***Financial liabilities***

Financial liabilities including 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 as 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 as 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 recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in the 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 the share option reserve will be transferred to accumulated profits.

**Impairment of intangible assets**

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. 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 exchange 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 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.

**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 consolidated 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, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

**Retirement benefit scheme**

Payments to defined contribution retirement benefit scheme and the Mandatory Provident Fund 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, the 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 the carrying amounts of loans receivables, additional allowances may be required.

**5. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raising of bank borrowings.



## 6. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	18,620	23,436
Loans receivable	134,083	48,380
Bills receivable	30,826	46,661
Bank balances and cash	<u>281,315</u>	<u>343,353</u>
	<u>464,844</u>	<u>461,830</u>
Fair value through profit or loss		
Investments held for trading	<u>139,033</u>	<u>41,566</u>
Available-for-sale financial assets		
Available-for-sale investments	<u>79,812</u>	<u>84,830</u>
<b>Financial liabilities</b>		
Amortised costs		
Trade and other payables	35,550	41,359
Bills payable	<u>3,566</u>	<u>4,648</u>
	<u>39,116</u>	<u>46,007</u>

## (b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, investments held for trading, trade and other receivables, loans receivable, bills receivable, bank balances and cash, 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.

**Market risk**(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk through the impact of the rate changes on variable-rate loans receivable as most of the Group's loans receivable at 31 March 2007 are at variable rates. The Group has reduced such risk by keeping most loans receivable as at 31 March 2008 at fixed rates (see note 26 for details of these loans). The management monitors interest rate exposure and will consider hedging interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate loans receivable as at 31 March 2008 (see note 26 for details of these loans). The Group has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the management monitors interest rate exposure and will consider other necessary action 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 of the Company consider that 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 period.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate loans receivable and interest bearing bank balances at the balance sheet date. The analysis is prepared assuming the amount of variable-rate loans receivable and bank balances outstanding at the balance sheet date was outstanding for the whole year.

If interest rates on variable-rate loans receivable and interest bearing bank balances had been 100 basis points higher/lower and all other variables were held constant, the profit for the year ended 31 March 2008 would increase/decrease by HK\$2,887,000 (2007: increase/decrease by HK\$3,677,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable and interest bearing bank balances.

#### (ii) *Currency risk*

Certain subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currencies, which exposes the Group to foreign currency risk. Approximately 86% of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale, whilst all of the Group's purchases are denominated in the group entities' functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars ("USD")	51,026	66,775	1,973	407
Euro	<u>13,935</u>	<u>1,035</u>	<u>—</u>	<u>—</u>

#### *Sensitivity analysis*

The Group is mainly exposed to the exchange rate risk on HKD against USD and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As HKD is pegged to USD, the financial impact on exchange difference between HKD and USD is expected to be immaterial and therefore no sensitivity analysis has been prepared.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where HKD weaken 5% against Euro. For a 5% strengthening of HKD against Euro, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in profit	<u>575</u>	<u>43</u>

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

(iii) *Equity price risk*

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles and the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's equity price risk is concentrated on equity securities listed in Hong Kong and these investments are diversified into several different industries.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, profit for the year ended 31 March 2008 would be increased/decreased by HK\$5,735,000 (2007: increased/decreased by HK\$1,715,000) as a result of the changes in fair value of investments held for trading; and the investment revaluation reserve of the Group at 31 March 2008 would be increased/decreased by HK\$3,991,000 (2007: increased/decreased by HK\$4,242,000) as a result of the changes in fair value of the available-for-sale investments. In management's opinion, the sensitivity analysis is unrepresentative of the equity price risk as the year end exposure does not reflect the exposures during the year.

**Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 March 2008 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 2008 of HK\$15,690,000 (2007: HK\$19,050,000) was derived from a few customers. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts. In addition, the management has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

The Group also has concentration of credit risk in relation to loans receivable from a few borrowers amounting to HK\$134,083,000 at 31 March 2008 (2007: HK\$48,380,000). The top five borrowers of the Group accounted for approximately 37.3% (2007: 76.5%) of the Group's loans receivable at 31 March 2008. In order to minimise the credit risk, the management has reviewed the recoverable amounts of the loans receivable regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on loans receivable is significantly reduced.

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.

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations. The management also monitors the utilisation of borrowings and ensures compliance with loan covenants.

At 31 March 2008, the Group has available unutilised bank loan facilities of HK\$106,434,000 (2007: HK\$110,352,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

#### Liquidity risk tables

	Weighted average effective interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts at 31 March HK\$'000
<b>2008</b>					
Non-derivative financial liabilities					
Trade and other payables	N/A	26,379	9,171	35,550	35,550
Bills payable	N/A	3,566	—	3,566	3,566
		<u>29,945</u>	<u>9,171</u>	<u>39,116</u>	<u>39,116</u>
<b>2007</b>					
Non-derivative financial liabilities					
Trade and other payables	N/A	31,971	9,388	41,359	41,359
Bills payable	N/A	4,648	—	4,648	4,648
		<u>36,619</u>	<u>9,388</u>	<u>46,007</u>	<u>46,007</u>

## (c) Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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.

## 7. 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>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	487,806	523,188
Rental income	27,164	26,138
Sales of properties	6,080	8,133
Building management fee income	289	278
	<u>521,339</u>	<u>557,737</u>

## 8. 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 2008*(i) *Income statement*

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Eliminations</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>	<i>HK\$'000</i>
<b>TURNOVER</b>							
External	487,806	27,453	6,080	—	—	—	521,339
Inter-segment	—	2,659	—	—	—	(2,659)	—
Total	<u>487,806</u>	<u>30,112</u>	<u>6,080</u>	<u>—</u>	<u>—</u>	<u>(2,659)</u>	<u>521,339</u>
<b>RESULT</b>							
Segment result	<u>24,133</u>	<u>79,175</u>	<u>400</u>	<u>(47,944)</u>	<u>3,217</u>	<u>(2,581)</u>	56,400
Unallocated corporate income							14,679
Unallocated corporate expenses							(4,570)
Share of results of associates							(6,399)
Finance costs							<u>(10)</u>
Profit before taxation							60,100
Taxation credit							<u>4,236</u>
Profit for the year							<u>64,336</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	64,482	567,950	180,424	218,845	135,281	1,166,982
Interests in associates						94,438
Unallocated corporate assets						<u>297,978</u>
Consolidated total assets						<u><u>1,559,398</u></u>
<b>LIABILITIES</b>						
Segment liabilities	29,124	14,169	—	—	30	43,323
Unallocated corporate liabilities						<u>46,546</u>
Consolidated total liabilities						<u><u>89,869</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	175	31	—	—	—	206
Depreciation of property, plant and equipment	757	383	—	—	—	1,140
Impairment loss on available-for-sale investments	—	—	—	33,163	—	33,163
Loss on disposal of available-for-sale investments	—	—	—	7,594	—	7,594
Loss on fair value changes of investments held for trading	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,690</u>	<u>—</u>	<u>9,690</u>

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

*Year 2007*

(i) *Income statement*

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Eliminations</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>	<i>HK\$'000</i>
<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 charge							<u>(6,127)</u>
Loss for the year							<u>(115,597)</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>

**Geographical segments**

An analysis of the Group's turnover by geographical market based on location of its customers is as follows:

	<b>Turnover</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	33,533	34,549
The People's Republic of China, excluding Hong Kong (the "PRC")	297	51
United States of America ("USA")	435,847	468,779
Europe	39,712	49,725
Mexico	<u>11,950</u>	<u>4,633</u>
	<u>521,339</u>	<u>557,737</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>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,156,897	1,032,588	98	1,757
USA	<u>10,085</u>	<u>20,463</u>	<u>108</u>	<u>80</u>
	<u>1,166,982</u>	<u>1,053,051</u>	<u>206</u>	<u>1,837</u>

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

During the year ended 31 March 2008, impairment loss on available-for-sale investments of HK\$33,163,000 (2007: HK\$121,465,000) was recognised as a result of continuous decline in market value of certain of the Group's listed equity investments.

## 10. PROFIT (LOSS) BEFORE TAXATION

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration ( <i>note 11(a)</i> )	4,602	4,014
Other staff costs, including retirement benefits costs	<u>24,596</u>	<u>26,532</u>
Total staff costs	<u>29,198</u>	<u>30,546</u>
Depreciation of property, plant and equipment	1,140	1,510
Auditor's remuneration:		
— current year	868	779
— underprovision in prior years	145	85
Cost of inventories recognised as an expense	418,735	446,057
Cost of properties sold	5,406	7,198
Impairment loss on inventories	—	1,021
and after crediting:		
Dividend income from listed investments	2,503	1,275
Interest income	17,484	11,492
Reversal of impairment loss on trade and other receivables	<u>12</u>	<u>—</u>



## (b) Information regarding employees' emoluments

The five highest paid individuals of the Group during the year included two (2007: two) directors. The emoluments of the remaining three (2007: three) highest paid individuals, not being directors, are as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Salaries and other benefits	<u>3,186</u>	<u>3,128</u>

The emoluments of these employees fall within the following bands:

	<b>Number of employees</b>	
	<b>2008</b>	<b>2007</b>
Nil to HK\$1,000,000	1	1
HK\$1,000,001 - HK\$1,500,000	<u>2</u>	<u>2</u>
	<u>3</u>	<u>3</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.

## 12. TAXATION

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
The (credit) charge comprises:		
Current tax - Hong Kong Profits Tax:		
Current year	2,132	374
Under(over) provision in prior years	<u>22</u>	<u>(2)</u>
	2,154	372
Deferred taxation (credit) charge ( <i>note 33</i> )	<u>(6,390)</u>	<u>5,755</u>
Tax (credit) charge attributable to the Company and its subsidiaries	<u>(4,236)</u>	<u>6,127</u>

Hong Kong Profits Tax has been provided at 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

With effect from the year of assessment 2008/09, Hong Kong Profits Tax has been reduced from 17.5% to 16.5%.

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

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation	<u>60,100</u>	<u>(109,470)</u>
Tax charge (credit) of Hong Kong Profits Tax at 17.5% (2007: 17.5%)	10,518	(19,157)
Tax effect of expenses not deductible for tax purposes	7,386	29,972
Tax effect of income not taxable for tax purposes	(10,669)	(3,342)
Tax effect of share of results of associates	1,120	722
Tax effect of tax losses not recognised	1,289	1,964
Tax effect of utilisation of tax losses previously not recognised	(2,875)	(4,309)
Under(over) provision in prior years	22	(2)
Release of deferred taxation arising from disposal of investment properties	(11,305)	—
Others	<u>278</u>	<u>279</u>
Taxation (credit) charge for the year	<u>(4,236)</u>	<u>6,127</u>

### 13. DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2008.

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

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

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings (loss) for the purposes of calculating basic earnings (loss) per share	<u>64,336</u>	<u>(115,597)</u>
<b>Number of shares</b>		
Number of shares/weighted average number of shares for the purposes of calculating basic earnings (loss) per share	<u>794,204,028</u>	<u>444,167,875</u>

No diluted earnings per share is presented in 2008 as there is no share option of the Company outstanding during the year. In addition, there is no dilutive effect on the Company's diluted earnings per share in relation to the outstanding convertible note in issue during the year by Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), an associate of the Group.

No diluted loss per share was presented in 2007 as the exercise price of the Company's outstanding share options was higher than the average market price during that year.

## 15. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions with related parties/persons deemed to be “connected persons” pursuant to Chapter 14A of the Rules Governing the Listing of Securities on 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>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commission income	54	—
Purchases of garments	150	48,017
Rental income	<u>573</u>	<u>601</u>

- (b) During the year ended 31 March 2008, the Group provided administrative service to Easyknit Enterprises and received service income of HK\$240,000 (2007: HK\$240,000) from that company. Easyknit Enterprises is an associate of the Group and a company in which Ms. Lui Yuk Chu, a director of the Company, and her spouse, Mr. Koon Wing Yee, have beneficial interests.

In addition, the Group also disposed of a motor vehicle to a subsidiary of Easyknit Enterprises at a consideration of approximately HK\$576,000 during the year ended 31 March 2008.

(c) **Compensation of key management personnel**

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

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	8,811	8,598
Post employment benefits	<u>141</u>	<u>132</u>
	<u>8,952</u>	<u>8,730</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.

## 16. 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>
<b>COST OR VALUATION</b>				
At 1 April 2006	41,384	12,865	2,479	56,728
Additions	—	269	1,568	1,837
Disposals	—	(16)	—	(16)
Transferred to investment properties <i>(note b)</i>	(9,065)	—	—	(9,065)
<b>At 31 March 2007 and 1 April 2007</b>	<b>32,319</b>	<b>13,118</b>	<b>4,047</b>	<b>49,484</b>
Additions	—	206	—	206
Disposals	—	(100)	(1,330)	(1,430)
<b>At 31 March 2008</b>	<b>32,319</b>	<b>13,224</b>	<b>2,717</b>	<b>48,260</b>
Comprising:				
At 31 March 2007				
At cost	3,319	13,118	4,047	20,484
At valuation - 1995	29,000	—	—	29,000
	<u>32,319</u>	<u>13,118</u>	<u>4,047</u>	<u>49,484</u>
At 31 March 2008				
At cost	3,319	13,324	2,717	19,360
At valuation - 1995	29,000	—	—	29,000
	<u>32,319</u>	<u>13,324</u>	<u>2,717</u>	<u>48,360</u>
<b>ACCUMULATED DEPRECIATION</b>				
At 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)
<b>At 31 March 2007 and 1 April 2007</b>	<b>17,485</b>	<b>12,460</b>	<b>1,601</b>	<b>31,546</b>
Provided for the year	366	279	495	1,140
Eliminated on disposals	—	(100)	(754)	(854)
<b>At 31 March 2008</b>	<b>17,851</b>	<b>12,639</b>	<b>1,342</b>	<b>31,832</b>
<b>CARRYING VALUES</b>				
<b>At 31 March 2008</b>	<b>14,468</b>	<b>585</b>	<b>1,375</b>	<b>16,428</b>
At 31 March 2007	14,834	658	2,446	17,938



*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 had 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:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held on medium-term lease in Hong Kong	<u>14,468</u>	<u>14,834</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\$18,200,000 (2007: HK\$18,700,000).

## **17. PROPERTIES HELD FOR DEVELOPMENT**

At 31 March 2007, due to the uncertainty on the timing of the successful acquisition of the remaining units of the building (the "Remaining Properties") for development purpose within the Group's normal operating cycle, properties held for development were not included as the Group's current assets in the consolidated balance sheet.

During the year ended 31 March 2008, the Group completed the acquisition of the Remaining Properties at a total consideration of HK\$12,880,000 and the development project has been commenced. Properties held for development at 31 March 2008 were therefore included in current assets in the consolidated balance sheet as it is expected that the properties may be realised in the Group's normal operating cycle for properties development, which is expected to be more than twelve months after the balance sheet date.

## 18. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 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 and 1 April 2007	606,170
Increase in fair value recognised in the consolidated income statement	52,928
Disposal	<u>(92,418)</u>
<b>At 31 March 2008</b>	<u><u>566,680</u></u>

The fair values of the Group's investment properties at 31 March 2008 and 2007 have been arrived at on the basis of a valuation carried out on those days by Messrs. Knight Frank Petty Limited, independent qualified professional property valuers not connected with the Group. Messrs. Knight Frank Petty Limited 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 of 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.

The carrying value of investment properties shown above comprises:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Land in Hong Kong:		
Long lease	86,000	79,000
Medium-term lease	<u>480,680</u>	<u>527,170</u>
	<u><u>566,680</u></u>	<u><u>606,170</u></u>

## 19. 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 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 with reference to the second-hand market price of the club debenture at the balance sheet date.

## 20. INTERESTS IN ASSOCIATES

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed securities in Hong Kong, at cost	112,124	75,676
Share of post-acquisition losses	(24,050)	(17,651)
Share of translation reserve	<u>6,364</u>	<u>2,565</u>
	<u>94,438</u>	<u>60,590</u>
Market value of listed securities	<u>65,605</u>	<u>3,752,868</u>

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

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	333,349	204,879
Total liabilities	<u>(66,384)</u>	<u>(36,245)</u>
Net assets ( <i>note</i> )	<u>266,965</u>	<u>168,634</u>
Group's share of net assets of associates	<u>94,438</u>	<u>60,590</u>
Turnover	<u>74,923</u>	<u>75,964</u>
Loss for the year	<u>(17,811)</u>	<u>(11,481)</u>
Total share of results of associates for the year	<u>(6,399)</u>	<u>(4,125)</u>

*Note:* The amount includes the equity component of the convertible note issued by Easyknit Enterprises in March 2008 to a third party amounting to HK\$4,128,000 (2007: nil), which is not shared by the Group.

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Particulars of the Group's principal associates as at 31 March 2008 and 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%*	Construction in progress of garment production plant for own use
永義紡織(湖州)有限公司 ("Huzhou Knitting") *****	Establishment	PRC	PRC	N/A	35.93%*	Construction in progress of knitting production plant for own use
永義漂染(湖州)有限公司 ("Huzhou Bleaching and Dyeing") *****	Establishment	PRC	PRC	N/A	35.93%*	Construction in progress of bleaching and dyeing production plant for own use

\* 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.

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\*\*\*\* 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.

**21. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong at market value	<u>79,812</u>	<u>84,830</u>

**22. 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.

**23. INVESTMENTS HELD FOR TRADING**

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong at market value	<u>139,033</u>	<u>41,566</u>

**24. INVENTORIES**

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	—	182
Work in progress	—	1,928
Finished goods	<u>2,942</u>	<u>7,756</u>
	<u>2,942</u>	<u>9,866</u>

## 25. TRADE AND OTHER RECEIVABLES

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	16,480	24,171
Less: Allowance for doubtful debts	<u>(790)</u>	<u>(5,121)</u>
	15,690	19,050
Deposits to suppliers	13,034	25,100
Other receivables	<u>3,419</u>	<u>5,128</u>
	<u><u>32,143</u></u>	<u><u>49,278</u></u>

The Group allows credit period of up to 90 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date is as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	15,404	17,919
61 - 90 days	224	533
Over 90 days	<u>62</u>	<u>598</u>
	<u><u>15,690</u></u>	<u><u>19,050</u></u>

The management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired to be of good credit quality.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$3,918,000 (2007: HK\$1,584,000) which are past due at the reporting date for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue by 1 to 60 days	3,856	490
Overdue by 61 to 90 days	1	532
Overdue by over 90 days	<u>61</u>	<u>562</u>
	<u><u>3,918</u></u>	<u><u>1,584</u></u>

Movement in the allowance for doubtful debts:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Balance at beginning of the year	5,121	5,101
Amounts written off as uncollectible	(4,319)	—
Impairment losses recognised on receivables	—	20
Amounts recovered during the year	<u>(12)</u>	<u>—</u>
Balance at end of the year	<u><u>790</u></u>	<u><u>5,121</u></u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$790,000 (2007: HK\$5,121,000) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

No allowance was made for trade receivables that are past due but not impaired at the balance sheet date as the amounts were expected to be subsequently recovered after the balance sheet date.

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
USD	<u><u>4,891</u></u>	<u><u>5,713</u></u>
Euro	<u><u>2,130</u></u>	<u><u>1,035</u></u>

**26. LOANS RECEIVABLE**

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount secured by property interests and bearing interest at the bank's Hong Kong dollars best lending rate plus 2% (2007: fixed rate of 9%) per annum	9,000	2,297
Unsecured amount		
- guaranteed by outside parties and bearing interest at a rate ranging from 6% to 9.75% (2007: 4% to the bank's Hong Kong dollars best lending rate plus 2%) per annum	75,083	28,083
- bearing interest at 8.75% (2007: Hong Kong Interbank Offer Rate plus 2.125%) per annum	<u>50,000</u>	<u>18,000</u>
	134,083	48,380
Less: Amount due from borrowers within one year shown under current assets	<u>(134,000)</u>	<u>(43,255)</u>
Amount due from borrowers after one year but not more than two years shown under non-current assets	<u>83</u>	<u>5,125</u>

The management closely monitors the credit quality of loans receivable and considers loans receivable that are neither past due nor impaired to be of good credit quality. No loans receivable is past due at both balance sheet dates.

Movement in the allowance for doubtful debts:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	2,160	—
Amounts written off as uncollectible	(2,160)	—
Impairment losses recognised on receivables	<u>—</u>	<u>2,160</u>
Balance at end of the year	<u>—</u>	<u>2,160</u>

Included in the allowance for doubtful debts in 2007 were individually impaired loans receivable with an aggregate balance of HK\$2,160,000 (2008: nil) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

All loans receivable are denominated in HKD at both balance sheet dates.

**27. BILLS RECEIVABLE**

At the balance sheet date, the bills receivable are aged within 90 days (2007: 90 days).



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The Group's bills receivable that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	<u>30,826</u>	<u>46,661</u>

**28. 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 0.01% to 5.75% (2007: 1.75% to 4.20%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	<u>15,309</u>	<u>14,401</u>
Euro	<u>11,805</u>	<u>—</u>

**29. TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables of HK\$23,704,000 (2007: HK\$29,084,000). The aged analysis of trade payables at the balance sheet date is as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	23,687	28,927
61 - 90 days	12	2
Over 90 days	<u>5</u>	<u>155</u>
	<u>23,704</u>	<u>29,084</u>

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	<u>529</u>	<u>407</u>

**30. BILLS PAYABLE**

At the balance sheet date, the bills payable are aged within 30 days (2007: 30 days).

The Group's bills payable that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
USD	<u>1,444</u>	<u>—</u>

**31. SHARE CAPITAL**

	<i>Notes</i>	<b>Nominal value per share</b> <i>HK\$</i>	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
Authorised:				
At 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>
<b>At 31 March 2007 and 31 March 2008</b>		0.01	<u>100,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At 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>
<b>At 31 March 2007 and 31 March 2008</b>		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 the properties for development. 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.

### 32. 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 was 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)	—

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

No share options were exercised or cancelled during the year ended 31 March 2007.

There was no share option outstanding at 31 March 2008 or at any time during the year.

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.

### 33. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 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 and 1 April 2007	324	45,697	(17,788)	28,233
(Credit) charge to consolidated income statement	<u>(68)</u>	<u>(8,605)</u>	<u>2,283</u>	<u>(6,390)</u>
<b>At 31 March 2008</b>	<u>256</u>	<u>37,092</u>	<u>(15,505)</u>	<u>21,843</u>

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

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

At 31 March 2008, the Group has unused tax losses of HK\$189,918,000 (2007: HK\$212,028,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$88,598,000 (2007: HK\$101,646,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$101,320,000 (2007: HK\$110,382,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except the losses of HK\$52,453,000 (2007: HK\$45,153,000) which will expire as follows:

	<b>2008</b>	<b>2007</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	9,022
2028	7,300	—
	<u>52,453</u>	<u>45,153</u>

**34. 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>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	<u>138,500</u>	<u>131,000</u>

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

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments recognised in the consolidated income statement during the year	<u>2,147</u>	<u>3,258</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>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	918	1,896
In the second to fifth year inclusive	<u>676</u>	<u>1,591</u>
	<u><u>1,594</u></u>	<u><u>3,487</u></u>

Operating lease payments represent rentals payable by the Group for certain of its office premises and directors' quarters. 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>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property rental income earned during the year	27,164	26,138
Less: Outgoings	<u>(881)</u>	<u>(753)</u>
Net rental income	<u><u>26,283</u></u>	<u><u>25,385</u></u>

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

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	23,202	25,445
In the second to fifth year inclusive	<u>9,595</u>	<u>24,744</u>
	<u><u>32,797</u></u>	<u><u>50,189</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.

**36. 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.

The aggregate employers' contributions which have been dealt with in the consolidated income statement for the year ended 31 March 2008 amounted to HK\$776,000 (2007: HK\$753,000).

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

### 37. SIGNIFICANT EVENTS

The Company included in note 39 (c) of the Group's annual financial statements for the year ended 31 March 2007, details of, among others, a possible merger of Easyknit Enterprises with Wits Basin Precious Minerals Inc. ("Wits Basin") and a possible issue of approximately 3 billion shares by Easyknit Enterprises to the shareholders of Wits Basin which may lead to a dilution of the Company's shareholding in Easyknit Enterprises from approximately 35.93% to approximately 19.40%. Wits Basin is a company incorporated in Minnesota, the USA whose principal business was the exploration and development of minerals in Mexico, Colorado and South Africa.

The Company further announced jointly with Easyknit Enterprises on 20 August and 6 November 2007 that Wits Basin had sent a letter to Easyknit Enterprises purporting to terminate the merger agreements on the grounds cited or on any other grounds. Easyknit Enterprises did not admit any allegations made by Wits Basin or that Wits Basin was entitled to terminate the merger agreements on the grounds cited or on any other grounds. Easyknit Enterprises took legal advice in the USA about the purported termination of the merger agreements and instructed its lawyers in the USA to claim from Wits Basin a break up fee of US\$30,000,000 (approximately HK\$234 million) according to the termination clauses noted in the merger agreements.

On 19 December 2007, Easyknit Enterprises entered into a settlement agreement and general release (the "Settlement and Release") with Wits Basin in relation to the merger agreements and the litigation between Easyknit Enterprises and Wits Basin. Pursuant to the Settlement and Release, among others, the possible merger will not proceed and Easyknit Enterprises and Wits Basin agreed to dismiss the litigation previously started by Wits Basin on 15 August 2007, including all claims, counterclaims, and defences, with prejudice and on the merits, without further costs or fees to any party. In addition, it was agreed that all written or oral agreements entered into between Easyknit Enterprises and Wits Basin prior to the execution of the Settlement and Release were deemed terminated. Details of the Settlement and Release are set out in the Company's joint announcement with Easyknit Enterprises dated 19 December 2007.

### 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2008 and 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
			2008		2007		
			Directly	Indirectly	Directly	Indirectly	
Cheong Ko Investment Company Limited	Hong Kong	Ordinary HK\$2 (Non-voting preferred HK\$10,000) *	—	100%	—	100%	Property holding

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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
			2008		2007		
			Directly	Indirectly	Directly	Indirectly	
Easyknit BVI Limited	British Virgin Islands/ Hong Kong	Ordinary US\$100	100%	—	100%	—	Investment holding
Easyknit Global Company Limited (formerly known as Easyknit Trading Company Limited and Perfect Luck Development Limited)	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Trading of garments
Easyknit International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	100%	—	Investment holding
Easyknit Properties Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1,000	100%	—	100%	—	Investment holding
Easyknit Properties Management Limited	Hong Kong	Ordinary HK\$10,000	—	100%	—	100%	Property management
Easyknit Worldwide Company Limited (formerly known as Easyknit International Trading Company Limited and Grand Modern Investment Limited)	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Trading of garments
Golden Top Properties Limited	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Property holding
Grand Modern Investment Limited (formerly known as Easyknit International Trading Company Limited)	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Trading of garments
Grand Profit Development Limited	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Trading of garments
Happy Light Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100%	—	100%	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
			2008		2007		
			Directly	Indirectly	Directly	Indirectly	
Janson Properties Limited	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Property holding
Landmark Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	100%	—	Investment holding
Mark Profit Development Limited	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Property holding and property development
Mary Mac Apparel Inc.	USA	Common stock US\$7,738,667	—	100%	—	100%	Garment distribution
Perfect Luck Development Limited (formerly known as Easyknit Trading Company Limited)	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Trading of garments
Planetic International Limited	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Finance company
Wellmake Investments Limited	Hong Kong	Ordinary HK\$9,998 (Non-voting deferred HK\$2) *	—	100%	—	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 2008.

### 39. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 March 2008:

- (a) The holder of the convertible note issued by Easyknit Enterprises exercised his conversion right and converted the whole amount of the convertible note at its par value of HK\$37,650,000 into 784,375,000 new ordinary shares of Easyknit Enterprises at a conversion price of HK\$0.048 per conversion share. The Group's interest in Easyknit Enterprises was diluted from approximately 35.93% to approximately 31.70% and the gain on partial disposal of interests in associates is not expected to be significant.

- (b) As announced by the Company on 18 April 2008, the Group acquired certain equity securities listed in Hong Kong, which were classified as investments held for trading, from the market at a consideration of approximately HK\$21.6 million (exclusive of transaction costs).
  
- (c) As announced by the Company on 20 June 2008, the Group disposed of certain equity securities listed in Hong Kong, which were classified as investments held for trading and available-for-sale investments, through the market for an aggregate gross sale proceeds of approximately HK\$23.6 million. The gain on fair value change of the investments held for trading and available-for-sale investments from 1 April 2008 to the date of disposals amounted to approximately HK\$2.1 million.
  
- (d) As announced by the Company on 27 June 2008, the Group entered into a sale and purchase agreement with a vendor to acquire the entire issued share capital of Trump Elegant Investment Limited (“Trump Elegant”) for a total consideration of HK\$8,300,000. The Group also agreed to advance an interest-free loan to Trump Elegant up to an aggregate amount not exceeding HK\$32,000,000. Trump Elegant is a limited liability company incorporated in Hong Kong and is the purchaser under various property purchase agreements. The acquisition of Trump Elegant will enable the Group to acquire 11 out of the 12 units in the building situated on Section B of Kowloon Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong).

In addition, the vendor granted to the Group the right to require the vendor to purchase from the Group entire issued share capital of Trump Elegant if completion of any units does not take place, at a consideration equivalent to the aggregate of HK\$8,300,000 and total sum paid by Trump Elegant and the Group.

Details of the above are set out in the announcement of the Company dated 27 June 2008.

**Tony Yuen & Co.**  
Certified Public Accountants  
Unit 1402, 14th Floor,  
Yue Xiu Building,  
160-174 Lockhart Road,  
Wanchai, Hong Kong

8 August 2008

The Board of Directors  
Easyknit International Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Trump Elegant Investment Limited (“Trump Elegant”) for the period from 24 April 2008 (date of incorporation of Trump Elegant) to 30 June 2008 (the “Relevant Period”), for inclusion in the circular of Easyknit International Holdings Limited (the “Company”) dated 8 August 2008 in connection with the Company’s proposed acquisition of the entire issued share capital of Trump Elegant (the “Circular”).

Trump Elegant is principally engaged in property investment and was incorporated in Hong Kong on 24 April 2008 with limited liability.

We have acted as auditors of Trump Elegant for the Relevant Period. The financial statements of Trump Elegant for the Relevant Period were prepared in accordance with accounting principles generally accepted in Hong Kong and we have carried out our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The sole director of Trump Elegant is responsible for preparing the audited financial statements of Trump Elegant. The Financial Information is based on the audited financial statements of Trump Elegant. No adjustments to the audited financial statements of Trump Elegant have been considered necessary for the purpose of this report. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to examine the Financial Information set out in this report, to form an independent opinion on the Financial Information and to report our opinion to you.

We have examined the Financial Information of Trump Elegant for the Relevant Period. Our examination was made in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

In our opinion, the Financial Information, for the purpose of this report, and on the basis of presentation set out below gives a true and fair view of the loss and cash flows of Trump Elegant for the period from 24 April 2008 (date of incorporation) to 30 June 2008 and of the assets and liabilities of Trump Elegant at 30 June 2008.

## I. FINANCIAL INFORMATION

## Income statement

	<i>Notes</i>	<b>24.4.2008 to 30.6.2008 HK\$'000</b>
<b>TURNOVER</b>	3	—
<b>COST OF SALES</b>		—
<b>GROSS PROFIT</b>		—
<b>DISTRIBUTION COSTS</b>		—
<b>ADMINISTRATIVE EXPENSES</b>		(20)
<b>OTHER OPERATING EXPENSES</b>		—
<b>LOSS FROM OPERATIONS</b>		(20)
<b>FINANCE COSTS</b>		—
<b>NET LOSS FOR THE PERIOD</b>		<u>(20)</u>
<b>BASIC LOSS PER SHARE</b>	7	<u>20</u>

**Balance sheet**

	<i>Notes</i>	<b>30.6.2008</b> <i>HK\$'000</i>
<b>CURRENT ASSET</b>		
Deposits paid for acquisition of properties	10	4,200 -----
<b>CURRENT LIABILITIES</b>		
Amount due to the sole shareholder	8	3,100
Amount due to Easyknit Properties Holdings Limited	11	1,100
Accrued expenses		20 -----
		4,220 -----
<b>NET CURRENT LIABILITIES</b>		<u><u>(20)</u></u>
<b>SHARE CAPITAL</b>	9	—
<b>ACCUMULATED LOSSES</b>		<u>(20)</u>
<b>CAPITAL AND DEFICIT</b>		<u><u>(20)</u></u>

**Statement of changes in equity**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>24.4.2008 to 30.6.2008</b> <i>HK\$'000</i>
Issue of one share at HK\$1	—	—	—
Net loss for the period	<u>—</u>	<u>(20)</u>	<u>(20)</u>
Balance at 30 June 2008	<u>—</u>	<u>(20)</u>	<u>(20)</u>

## Cash flow statement

	24.4.2008 to 30.6.2008 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss from operation	(20)
Adjustments	<u>—</u>
Operating loss before movements in working capital	(20)
Deposits paid for acquisition of properties	(4,200)
Amount due to Easyknit Properties Holdings Limited	1,100
Accrued expenses	<u>20</u>
Cash used in operations	(3,100)
Income tax paid	<u>—</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(3,100)</u>
FINANCING ACTIVITIES	
Proceeds on issue of one ordinary share	—
Advance from the sole shareholder	<u>3,100</u>
NET CASH FROM FINANCING ACTIVITIES	<u>3,100</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>—</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>—</u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	<u>—</u>

**II. NOTES ON THE FINANCIAL STATEMENTS****1. GENERAL**

Trump Elegant Investment Limited is a company incorporated in Hong Kong with limited liability. The company's registered office is located at G/F., 44B Leighton Road, Causeway Bay, Hong Kong. The principal activity of the company is property investment.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared under the historical cost convention and has been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

**(a) Income tax**

Income tax for the period may comprise current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly to equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

**(b) Related parties**

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

**3. TURNOVER**

Trump Elegant did not have any turnover during the Relevant Period.

**4. LOSS FROM OPERATIONS**

Loss from operations has been arrived at after charging:-

	<b>24.4.2008</b>
	<b>to</b>
	<b>30.6.2008</b>
	<i>HK\$'000</i>
Auditors' remuneration	<u>20</u>

**5. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES****(i) Directors' remuneration**

No remuneration was paid to Trump Elegant's sole director during the Relevant Period and no remuneration was waived by the sole director during the Relevant Period.

**(ii) Employees' remuneration**

No remuneration was paid to employees during the Relevant Period.

**6. TAXATION**

No provision for taxation has been made as Trump Elegant incurred a loss for the Relevant Period.

No provision for deferred taxation has been made as the amount involved is insignificant.

**7. LOSS PER SHARE**

As only one ordinary share was in issue during the Relevant Period, the loss per share is equal to the net loss for the period.

There were no potentially dilutive shares in existence during the Relevant Period.

**8. AMOUNT DUE TO THE SOLE SHAREHOLDER**

The amount due is unsecured and interest-free.



**9. SHARE CAPITAL**

**30.6.2008**  
*HK\$'000*

Authorised:

10,000 ordinary shares of HK\$1 each

10

Issued and fully paid:

1 ordinary share of HK\$1 each

—

Trump Elegant was incorporated on 24 April 2008 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. At the time of incorporation, one ordinary share of HK\$1 was issued at par to the founder member to provide the initial capital for Trump Elegant.

Other than the above, there were no changes in Trump Elegant's authorised, issued and fully paid share capital in the Relevant Period.

**10. CAPITAL COMMITMENTS**

Trump Elegant entered into 11 sale and purchase agreements ("Property Purchase Agreements") with 9 different vendors for the acquisition of the following properties at a total consideration of HK\$112,700,000:

- Flat 1, Ground Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong \*
- Flat 2, Ground Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong \*
- Flat 4, Ground Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong \*
- Flat 1, First Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong
- Flat 2, First Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong
- Flat 3, First Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong \*
- Flat 4, First Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong
- Flat 1, Second Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong
- Flat 2, Second Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong
- Flat 3, Second Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong
- Flat 4, Second Floor, Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong

Up to 30 June 2008, Trump Elegant had paid a total deposit of HK\$4,200,000 to the vendors pursuant to the Property Purchase Agreements. Upon completion of all the Property Purchase Agreements, Trump Elegant will have to pay the remaining balance of the consideration in the sum of HK\$108,500,000 to the vendors.

\* with tenancy agreements still in force at the time for completion of the Property Purchase Agreements.

**11. AMOUNT DUE TO EASYKNIT PROPERTIES HOLDINGS LIMITED**

Trump Elegant's sole shareholder entered into an agreement with Easyknit Properties Holdings Limited ("Easyknit Properties") to sell his entire share holding in Trump Elegant to Easyknit Properties at the consideration of HK\$8,300,000 ("Share Sale Agreement").

Pursuant to the Share Sale Agreement, Easyknit Properties agreed to advance a loan not exceeding HK\$32,000,000 to Trump Elegant for paying the deposits and/or balance of the purchase price in respect of the Property Purchase Agreements. As at 30 June 2008, Easyknit Properties had advanced HK\$1,100,000 to Trump Elegant.

**12. RELATED PARTY TRANSACTIONS**

Apart from those disclosed elsewhere, Trump Elegant had no other transactions with related parties during the Relevant Period.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Trump Elegant have been prepared in respect of any period subsequent to 30 June 2008.

Yours faithfully  
**Tony Yuen & Co.**  
*Certified Public Accountants*  
Hong Kong

**1. UNAUDITED PRO FORMA NET ASSETS STATEMENT**

The unaudited pro forma net assets statement of the Group and Trump Elegant (the Group and Trump Elegant together are referred to as the “Enlarged Group”) (the “Unaudited Pro Forma Net Assets Statement”) has been prepared to demonstrate the effect of the proposed acquisition of the Properties through the acquisition of the entire issued share capital of Trump Elegant (the “Acquisition”) on the net assets of the Group.

The Unaudited Pro Forma Net Assets Statement has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition together with the Property Purchase Agreements had been taken place on 31 March 2008.

The preparation of the Unaudited Pro Forma Net Assets Statement is based on (1) the audited consolidated balance sheet of the Group as at 31 March 2008 which has been extracted from the published annual report of the Group for the year ended 31 March 2008, and (2) the audited balance sheet of Trump Elegant as at 30 June 2008 as extracted from the accountants’ report on Trump Elegant issued by Tony Yuen & Co., Certified Public Accountants in Hong Kong, as set out in Appendix II to this circular, and adjusted only to reflect the pro forma adjustments described in the notes thereto. Narrative description of the unaudited pro forma adjustments that are directly attributable to the Acquisition and the Property Purchase Agreements, and are factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Net Assets Statement is based on a number of assumptions, estimates and uncertainties. The accompanying Unaudited Pro Forma Net Assets Statement does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition and the Property Purchase Agreements been completed on 31 March 2008. The Unaudited Pro Forma Net Assets Statement does not purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Net Assets Statement should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Group for the year ended 31 March 2008 and other financial information included elsewhere in this circular.

**APPENDIX III**
**UNAUDITED PRO FORMA NET ASSETS STATEMENT**

	The Group as at 31 March 2008	Trump Elegant as at 30 June 2008	Pro forma adjustments			Total pro forma adjustments	Pro forma total for the Enlarged Group
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000
<b>Non-current assets</b>							
Property, plant and equipment	16,428	—	—	—	—	—	16,428
Properties held for development	—	—	8,320	—	112,700	121,020	121,020
Investment properties	566,680	—	—	—	—	—	566,680
Intangible asset	921	—	—	—	—	—	921
Interests in associates	94,438	—	—	—	—	—	94,438
Available-for-sale investments	79,812	—	—	—	—	—	79,812
Loans receivable	83	—	—	—	—	—	83
	<u>758,362</u>	<u>—</u>	<u>8,320</u>	<u>—</u>	<u>112,700</u>	<u>121,020</u>	<u>879,382</u>
<b>Current assets</b>							
Properties held for development	178,587	—	—	—	—	—	178,587
Properties held for sale	1,822	—	—	—	—	—	1,822
Investments held for trading	139,033	—	—	—	—	—	139,033
Inventories	2,942	—	—	—	—	—	2,942
Trade and other receivables	32,143	4,200	—	—	(4,200)	(4,200)	32,143
Loans receivable	134,000	—	—	—	—	—	134,000
Bills receivable	30,826	—	—	—	—	—	30,826
Tax recoverable	368	—	—	—	—	—	368
Bank balances and cash	281,315	—	(11,400)	(1,100)	(108,500)	(121,000)	160,315
	<u>801,036</u>	<u>4,200</u>	<u>(11,400)</u>	<u>(1,100)</u>	<u>(112,700)</u>	<u>(125,200)</u>	<u>680,036</u>
<b>Current liabilities</b>							
Trade and other payables	40,482	20	—	—	—	—	40,502
Bills payable	3,566	—	—	—	—	—	3,566
Amount due to sole shareholder	—	3,100	(3,100)	—	—	(3,100)	—
Amount due to Easyknit Properties	—	1,100	—	(1,100)	—	(1,100)	—
Tax payable	23,978	—	—	—	—	—	23,978
	<u>68,026</u>	<u>4,220</u>	<u>(3,100)</u>	<u>(1,100)</u>	<u>—</u>	<u>(4,200)</u>	<u>68,046</u>
<b>Net current assets (liabilities)</b>	<u>733,010</u>	<u>(20)</u>	<u>(8,300)</u>	<u>—</u>	<u>(112,700)</u>	<u>(121,000)</u>	<u>611,990</u>
<b>Total assets less current liabilities</b>	<u>1,491,372</u>	<u>(20)</u>	<u>20</u>	<u>—</u>	<u>—</u>	<u>20</u>	<u>1,491,372</u>
<b>Non-current liabilities</b>							
Deferred taxation	21,843	—	—	—	—	—	21,843
<b>Net assets (liabilities)</b>	<u>1,469,529</u>	<u>(20)</u>	<u>20</u>	<u>—</u>	<u>—</u>	<u>20</u>	<u>1,469,529</u>

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## APPENDIX III                      UNAUDITED PRO FORMA NET ASSETS STATEMENT

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*Notes:*

- (a) The adjustment represents the payment of the consideration of HK\$8,300,000 for the acquisition of the the entire issued share capital of Trump Elegant and the assignment of the shareholder's loan of Trump Elegant outstanding as at 30 June 2008 amounting to HK\$3,100,000 by way of cash settlement in total of HK\$11,400,000.
- (b) The adjustment represents the elimination of the advance amounting to HK\$1,100,000 made by Easyknit Properties to Trump Elegant for the deposit paid for acquisition of the Properties during the period between 1 April 2008 and 30 June 2008.
- (c) The adjustment represents the reclassification of the deposits paid for the acquisition of the Properties amounting to HK\$4,200,000 and the payment for the acquisition of the Properties amounting to HK\$108,500,000 to vendors of the Properties prior to and upon completion of the Property Purchase Agreements.
- (d) Easyknit Properties will advance a loan not exceeding HK\$32,000,000 with HK\$1,100,000 which has already been advanced as at 30 June 2008 (see note (b) above) in aggregate to Trump Elegant. Any portion of the loan when advanced by Easyknit Properties to Trump Elegant will have no impact on the Unaudited Pro Forma Net Assets Statement.

**2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA NET ASSETS STATEMENT****ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA NET ASSETS STATEMENT****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 proposed acquisition of the entire issued share capital of Trump Elegant Investment Limited and loan to Trump Elegant Investment Limited (collectively the “Proposed Transactions”) might have affected the financial information presented, for inclusion in Section 1 of Appendix III to the circular of the Company dated 8 August 2008 in connection with the Proposed Transactions (the “Circular”). The basis of preparation of the unaudited pro forma net assets statement of the Group is set out in Section 1 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 2008 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

8 August 2008

**1. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the present available financial resources and the present available banking facilities of the Group, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

**2. INDEBTEDNESS**

At the close of business on 30 June 2008, 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 June 2008.

Apart from intra-group liabilities, the Group did not have at the close of business on 30 June 2008 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.

**3. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP**

During the year ended 31 March 2008, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, property investment and development, investment in securities and loan financing.

For the year ended 31 March 2008, the Group recorded a turnover of approximately HK\$521,339,000 (2007: approximately HK\$557,737,000), representing a decrease of approximately 6.5% from last year. Gross profit decreased approximately 6.1% to approximately HK\$97,198,000 (2007: approximately HK\$103,461,000). Gross profit margin remained stable at approximately 18.6% (2007: approximately 18.6%).

**Garment sourcing and exporting**

During the year ended 31 March 2008, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.6% to the Group's total turnover, representing a slight drop of approximately 0.2% as compared to that of last year (2007: approximately 93.8%). Turnover from this segment decreased by approximately 6.8% to approximately HK\$487,806,000 (2007: approximately HK\$523,188,000). This segment recorded a profit of approximately HK\$24,133,000, a rise of approximately 4.8% from last year's profit of approximately HK\$23,037,000. The product mix of infant wear and ladies wear changed from 33 : 50 for the year ended 31 March 2007 to 35 : 45 for the year under review.



The Group believes that maintaining good customer relationship and sharpening its competitive edges are the key success factors for the future development of the Group's garment sourcing and exporting business. Customers counted on us to muster and maintain competitiveness for their products making us their reliable and helpful business partners. Demand for exported garment is expected to continue the upward trend. The Group will strive to maintain the growth of the business through strengthening its product range.

The Group will continue to expand its customer base and sales network in existing markets and will also look into the possibility of extending its reach to other potential markets.

### **Property investment and development**

For the year ended 31 March 2008, the property investment and development segments contributed approximately HK\$33,533,000 or 6.4% (2007: approximately HK\$34,549,000 or 6.2%) to the Group's total turnover. Profit of these segments increased approximately 139.3% to approximately HK\$79,575,000 (2007: approximately HK\$33,255,000), principally due to increase in gain arising on change in fair value of investment properties from approximately HK\$7,370,000 for the year ended 31 March 2007 to approximately HK\$52,928,000. Rental income from investment properties, which are all located in Hong Kong, increased to approximately HK\$27,164,000 (2007: approximately HK\$26,138,000) due to general increase of property rental in Hong Kong. The average rental income of the Group increased by approximately 3.9% during the year under review. As at 31 March 2008, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 92.5%. The building management fee income was approximately HK\$289,000 (2007: approximately HK\$278,000).

In April 2007, the Group completed the acquisition of the remaining two units of the building situated at Nos. 1 and 1A Victory Avenue and Nos. 3 and 3A Victory Avenue in Kowloon, Hong Kong at a total consideration of HK\$12,880,000. Together with the eighteen units acquired in July 2006, the Group currently has a total ownership over the site in which the building has been demolished during the year for development purpose.

In September 2007, the Group completed the disposal of premises situated at Ground Floor and cockloft of No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong at a consideration of HK\$92,800,000. A gain of HK\$18,818,000 arising on change in fair value of this property was recognised during the year under review.

The sale of residential units of Fa Yuen Plaza in Mongkok generated approximately HK\$6,080,000 cash inflow to the Group during the year under review (2007: approximately HK\$8,133,000). As at 31 March 2008, approximately 98.4% of the available units were sold with the average selling price of approximately HK\$3,800 per square foot gross floor area for the year ended 31 March 2008 (2007: approximately HK\$3,800).

As at 31 March 2008, the Group's entire property portfolio stood over approximately HK\$747,089,000 (as at 31 March 2007: approximately HK\$769,681,000).

Resurgence of the negative real interest rate has kept the property investment market in Hong Kong active despite negative economic data from the US and European markets and the recent fluctuations in the stock market. In addition, the low savings interest rate and volatile investment environment convinced the directors that property investment opportunities could offer a relatively higher and more stable rate of return, thus quality property investments become desirable capital outlets.

Leasing activities in prime shopping districts abound. Fierce competition was seen among international brands and other retailers for the limited quality retail space in areas like Tsim Sha Tsui, Central and Causeway Bay where high exposure to both domestic and overseas shoppers is possible.

Stagnant supply of commercial offices and residential buildings exemplified the re-development potential in congested city centre. The Group will continue to engage in property investment and development with attractive yields. By expanding its property portfolio both inside and outside Hong Kong when opportunities arise, the Group endeavour to bring the highest return to its shareholders.

#### **4. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION OF TRUMP ELEGANT**

Trump Elegant was incorporated on 24 April 2008 under the laws of Hong Kong and has never carried on any business save for entering into the Property Purchase Agreements.

Based on the audited financial information of Trump Elegant, as at 30 June 2008, its net liabilities was HK\$20,000. The current assets was HK\$4,200,000 which consisted of deposits paid under the Property Purchase Agreements. The current liabilities consisted of a shareholder's loan of HK\$3,100,000, loans from Easyknit Properties of HK\$1,100,000 and accrued expenses of HK\$20,000. Trump Elegant financed its operations mainly by loans from its sole shareholder and Easyknit Properties. All loans are unsecured and interest-free. Trump Elegant had no significant exposure to fluctuations in exchange rates and related hedges as all its payments were in Hong Kong dollars and no financial instrument for hedging purposes was employed. Trump Elegant did not have any significant contingent liabilities as at 30 June 2008.

The Directors consider that there will be no effect on the principal business of the Group as a result of the acquisition of Trump Elegant.

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from **Vigers Appraisal and Consulting Limited**, an independent professional valuer, in connection with the valuations of the property as at 30 June 2008.*

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

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

Tel: (852) 2810 1100 Fax: (852) 2153 6180

*www.vigers.com*



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

1 August 2008

Dear Sirs

**Re: Flats 1, 2, 4 on Ground Floor, Flats 1, 2, 3, 4 on 1st Floor, and Flats 1, 2, 3, 4 on 2nd Floor Nos. 313, 313A, 313B & 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong**

In accordance with your instructions for us to value the above property interests to be acquired by Easyknit Properties Holdings Limited or its subsidiaries (together referred to as “the Company”) as at 30 June 2008, we confirm that we have carried out inspections, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of their values.

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

Our valuation has been made on the assumptions that the owner sold the properties in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to increase or decrease the values of the properties.

We have valued the property by direct comparison approach with reference to market comparables with due allowances for the differences between the comparables and the properties.

We have relied to a considerable extent on information provided by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings and rental income, development potential, development plans and schedules, site areas and floor areas and all other relevant matters. All dimensions, measurements and areas are approximate.

We have to stress that we have not been provided with the original copies of all the documents to verify their accuracy. In any events, we reserve the right to revise our valuations should there disclose any information which is in contravention to the information provided to us.

We have inspected the exterior of the properties. However, we have not carried out any structural surveys nor have we inspected woodworks or other parts of the structures of the properties which were covered, unexposed or inaccessible. We are therefore unable to report whether the properties were free from rot, infestation or any other defects.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that these properties were free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious materials have not been used in the construction of these properties.

We have not carried out any site surveys to determine the demarcation of the properties. In valuing the properties held for future developments. No test or investigations have been carried out to determine the stability or suitability of ground conditions nor factors which could delay completion of a development such as archaeological artifacts, contamination, ecological, or environmental considerations. Unless otherwise informed, our valuations assume that the sites are sound and no delays will occur in a construction schedule due to considerations relating to the sites, and that the grounds were not contaminated.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties were free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations have been made in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**Vigers Appraisal & Consulting Limited**  
**Gilbert, K. M. Yuen**  
*Registered Professional Surveyor*  
*MRICS, MHKIS*  
*Executive Director*

*Note: Gilbert K. M. Yuen, a registered professional surveyor has over 20 years' experiences in undertaking valuations of properties in Hong Kong.*

## Property interests held for future development

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Capital Values as at 30 June 2008
Flats 1, 2, 4 on Ground Floor, Flats 1, 2, 3, 4 on 1st Floor and Flats 1, 2, 3, 4 on 2nd Floor, Nos. 313, 313A, 313B, 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong	<p>The property comprises 11 residential units (out of the total 12 residential units) of a 3-storey residential building completed in 1956.</p> <p>The saleable area of each of the flat is approximately 89.93 sq.m. (968 sq.ft.).</p> <p>The building is erected on a site with an area of 702.42 sq.m. (7,560.8 sq.ft.)</p>	The occupation and leasing status of the flats are shown in Note 5 below.	<p>In the existing state of the 11 units subject to the tenancies HK\$77,000,000</p> <p>The bare site value of 100% interests with vacant possession HK\$160,000,000</p>
11/12th shares of and in Section B of Kowloon Inland Lot No. 1685	<p>The property is held under a Government Lease for a term of 75 years commencing from 7 January 1924 and renewed for a further 75 years.</p> <p>The Government rent payable for the 11 units is in total HK\$55,170 per annum.</p>		<p>The bare site value attributable to the 11 units HK\$146,660,000</p>

## Notes:

1. The registered owners of the property are as the followings:

Flat 1 on Ground Floor	- Sheen Classic Limited
Flat 2 on Ground Floor	- Friendly Bright Development Limited
Flat 4 on Ground Floor	- Friendly Bright Development Limited
Flat 1 on 1st Floor	- Glory Talent International Limited
Flat 2 on 1st Floor	- Wong Yok Tong
Flat 3 on 1st Floor	- Cheuk Wing Chuen (1/4), Cheuk Wing Keung (1/4), Cheuk King Lin (1/4) and Cheuk King Yiu (1/4) (Tenants in Common)
Flat 4 on 1st Floor	- Friendly Bright Development Limited
Flat 1 on 2nd Floor	- Yu On Pong and Lam Yin Ying (Joint Tenants)
Flat 2 on 2nd Floor	- Chen Yueh Feng
Flat 3 on 2nd Floor	- Chan, John Paul and Hui, En-ling Ellis (Joint Tenants)
Flat 4 on 2nd Floor	- Lau Chart Sang (1/4), Lau Chart Chou (1/4), Jack Lowe (1/4) and Susanna Yee Che Wong alias Wong Lau Yee Che (1/4) (Tenants in Common)

2. All the units are subject to a Deed of Mutual Covenant registered vide Memorial No. UB254343 dated 19 November 1956.

In addition, the following units are subject to the individual encumbrances:

- Flat 1 on Ground Floor - i). Legal Charge and Assignment of Rental in favour of Wing Lung Bank Limited registered vide Memorial Nos. 0704160190122 and 07041601910138 respectively both dated 27 March 2007  
ii). Agreement For Sale and Purchase in favour of Million Mind Investment Limited registered vide Memorial No. 08050700720017 dated 30 April 2008
- Flat 2 on Ground Floor - Legal Charge/Mortgage in favour of The Bank of East Asia, Limited registered vide Memorial No. UB7231125 dated 30 July 1997
- Flat 2 on 1st Floor - Deed of Mutual Covenant registered vide Memorial No. UB255930 dated 31 December 1956
- Flat 1 on 2nd Floor - Agreement For Sale and Purchase in favour of Trump Elegant Investment Limited registered vide Memorial No. 08062601190044 dated 16 June 2008
- Flat 3 on 2nd Floor - Death Certificate Remarks: of Hui, Enn Ling Ellis Deceased registered vide Memorial No. 06021001550018 dated 16 November 2005
3. The Government Lease of Kowloon Inland Lot No. 1685 contains *inter alia* the following restrictions on the development of the lot:

“... will not erect more than four houses on the said piece or parcel of ground, the same to be detached or semi-detached houses of an European type only the design of the exterior elevations and the disposition will be subject to the approval of the said Director and in no case may the height of any building exceed Thirty Five Feet except with the consent of the said Director And will not erect any building within Twenty feet of Prince Edward Road...”

4. The property is zoned “Residential (Group B)” on the Ho Man Tin Outline Zoning Plan No. S/K7/19 dated 18 January 2008.

According to the explanatory note attached to the Outline Zoning Plan, on land designated “Residential (Group B)”, no new development, or addition, alternation and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment of an existing building in excess of a maximum plot ratio of 5.0 and the maximum building heights in terms of metres above Principal Datum as stipulated on the Plan, or the plot ratio and height of the existing building, whichever is the greater.

5. The occupation and leasing status of the subject units are as the followings:

Premises	Lease Term	Monthly Rent	Remarks
Flat 1 on Ground Floor	12 June 2007 to 11 June 2010	HK\$30,000 inclusive of rates and management fees	Either party can terminate the lease by giving 2 months' notice after the first 12 months
Flat 2 on Ground Floor	15 January 2007 to 14 January 2009	HK\$38,000 exclusive of rates and management fees	The tenant has to surrender the lease upon redevelopment or sale by a compensation of 3 months' rent free
Flat 4 on Ground Floor	20 August 2006 to 19 August 2010	HK\$24,000 inclusive of rates but exclusive of management fees	The lease can be terminated upon sale by the landlord serving a 6 months' notice after the first 24 months
Flat 1 on 1st Floor	Vacant		
Flat 2 on 1st Floor	Vacant		
Flat 3 on 1st Floor	1 January 2008 to 31 December 2010	HK\$15,500 inclusive of rates and management fees	Either party can terminate the lease by giving 1 month's notice or 1 month's rental in lieu after the first 25 months
Flat 4 on 1st Floor	Vacant		
Flat 1 on 2nd Floor	Vacant		
Flat 2 on 2nd Floor	Vacant		
Flat 3 on 2nd Floor	Vacant		
Flat 4 on 2nd Floor	Vacant		

6. In assessing the bare site value of the 100% interests, we have taken into consideration of the existing Government Lease conditions. No account has been taken into the possible modification of Government Lease to allow for the higher plot ratio and the necessity payment of land premium.
7. In assessing the site value attributable to the 11 units, we have apportioned the 100% bare site value in accordance with the proportion of the total undivided shares of the 11 units to the whole of the lot. No allowance has been given to the possible costs, which are required for the amalgamation of the 100% shares of the lot either by private negotiation or through the Compulsory Sale Order Land (Compulsory Sale For Redevelopment) Ordinance Cap 545.
8. No architectural plans have been approved and no planning consent has been obtained in respect of the redevelopment of the subject site as at the date of valuation.
9. There are no conditions stipulated in the Government Lease of the property as to the construction of roadways, pathways, drainage, sewage and other facilities or services for public uses.



**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, there are no other facts the omission of which would make any statement contained in this circular misleading.

**2. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS**

Pursuant to Bye-Law 70 of the Bye-Laws of the Company, 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
- (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.

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.

**3. DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such 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**

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

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

**B. Interests in associated corporations**

1. *Easyknit Enterprises Holdings Limited*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares (long position)</b>	<b>Approximate percentage of interest</b>
Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	2,116,278,780	31.70%

*Note:* These shares are registered in the name of and are beneficially owned by Landmark Profits Limited which is a wholly-owned subsidiary of the Company. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of the Company and it is in turn wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members, other than her spouse).

2. *Wellmake Investments Limited (Note a)*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of non-voting deferred share (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 Investments Limited which carry voting rights are held by the Company.

- b. One non-voting deferred share is held by Ms. Lui Yuk Chu as beneficial owner and the other one is 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 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 require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such 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 SHAREHOLDERS

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

##### A. Interests in issued Shares

Name of Substantial Shareholder	Nature of interest	Number of issued Shares (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>Note a</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 Hong Kong and Shanghai Banking Corporation Limited ( <i>Notes c and d</i> )	Interest of controlled corporation	291,794,809	36.74%

Name of Substantial Shareholder	Nature of interest	Number of issued Shares (long position)	Approximate percentage of interest
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 are registered in the name of and are beneficially owned by Magical Profits Limited, which is wholly-owned by Accumulate More Profits Limited, and which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members, other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is 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.
- (c) Hang Seng Bank Trustee International Limited is a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited is in turn 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 are registered in the name of and are beneficially owned by Magical Profits Limited. The remaining 5 Shares are held by HSBC Broking Securities (Asia) Limited, which is a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn is a wholly owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV, which is a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is wholly owned by HSBC Holdings BV, which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is 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. 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 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 and Deluxe Mind Investment Limited (“Deluxe Mind”) as the purchaser and Midland Realty (Shops) Limited as the agent in respect of the disposal of the premises situated on the ground floor, including cockloft, of No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong (“Sale Property”);
- (b) agreement for sale and purchase dated 3 August 2007 entered into between Cheong Ko as the vendor and Deluxe Mind as the purchaser in respect of the disposal of the Sale Property mentioned in sub-paragraph (a) above;
- (c) the Agreement; and
- (d) the Property Purchase Agreements.

## 6. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that, there has not been any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

## 7. 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.

## 8. QUALIFICATIONS OF EXPERTS 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>
Deloitte Touche Tohmatsu	Certified Public Accountants
Tony Yuen & Co.	Certified Public Accountants
Vigers Appraisal and Consulting Limited	Independent Professional Valuer

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

As at the Latest Practicable Date, none of Deloitte Touche Tohmatsu, Tony Yuen & Co. and Vigers Appraisal and Consulting Limited 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 Deloitte Touche Tohmatsu, Tony Yuen & Co. nor Vigers Appraisal and Consulting Limited had any direct or indirect interests in any assets which have been since 31 March 2008 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

#### **9. DIRECTORS' INTEREST IN COMPETING BUSINESS**

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

#### **10. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

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 2008 (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 were materially interested in any contract or arrangement which is significant in relation to the business of the Group.

#### **12. GENERAL**

- (a) The secretary of the Company is Mr. 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 Mr. 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 Block 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 and the accompanying form of proxy prevails over the Chinese text in the case of inconsistency.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at Block 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 25 August 2008:-

- (a) the memorandum of association and the Bye-Laws of the Company;
- (b) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (c) the letter from Deloitte Touche Tohmatsu, the text of which is set out on pages 76 to 77 in this circular;
- (d) the letter from Tony Yuen & Co., the text of which is set out on pages 65 to 72 in this circular;
- (e) the valuation report from Vigers Appraisal and Consulting Limited, the text of which is set out on pages 81 to 86 in this circular;
- (f) the annual reports of the Company for each of the two years ended 31 March 2007 and 31 March 2008;
- (g) the written consents from Deloitte Touche Tohmatsu, Tony Yuen & Co. and Vigers Appraisal and Consulting Limited, referred to in the section headed "Qualifications of Expert and Consents" in this appendix;
- (h) the circular of the Company dated 11 April 2008 in relation to the acquisition from the market of an aggregate of 17,880,000 shares in Sino Union Petroleum Chemical International Limited, for a total consideration of HK\$24,081,300 (exclusive of transaction costs);

- (i) the circular of the Company dated 2 May 2008 in relation to the further acquisition from the market of an aggregate of 12,000,000 shares in Sino Union Petroleum Chemical International Limited, for a total consideration of HK\$21,573,600 (exclusive of transaction costs); and
  
- (j) the circular of the Company dated 10 July 2008 in relation to the disposal on the market of 2,207,000 China CITIC Bank Corporation Limited H shares and 2,298,000 Industrial and Commercial Bank of China Limited H shares at a consideration of HK\$10,892,720 and HK\$12,706,880 respectively (both exclusive of transaction costs).



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## NOTICE OF SGM

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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 a special general meeting of Easyknit International Holdings Limited (“Company”) will be held on 25 August 2008 at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. (the “Meeting”) for the purpose of considering and, if thought fit, passing the following resolution:-

#### **ORDINARY RESOLUTION**

**“THAT:-**

- 1) the agreement dated 24 June 2008 entered into between Ng Kwai Tung and Easyknit Properties Holdings Limited (the “Agreement”); and
- 2) the transactions contemplated under the Agreement.

be and are hereby approved, confirmed and ratified; and that the directors of the Company are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection therewith.”

By Order of the Board  
**Easyknit International Holdings Limited**  
**Kwong Jimmy Cheung Tim**  
*President and Chief Executive Officer*

Hong Kong, 8 August 2008

**Notes:**

1. Any shareholder of the Company entitled to attend and vote at the Meeting of the Company convened by the above notice shall be 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 on the same occasion. A 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 shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder can exercise, including the right to vote individually on a show of hands.

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## NOTICE OF SGM

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2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
3. 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 principal place of business in Hong Kong at Block 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 forty-eight (48) hours before the time appointed for holding the Meeting and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall 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 shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such persons 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, that one of the said persons so present 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.
6. A form of proxy for use at the Meeting is enclosed.

\* *For identification only*