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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.

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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)

VERY SUBSTANTIAL ACQUISITION

**PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
KINGBEST CAPITAL HOLDINGS LIMITED
(THE PROPOSED ACQUIRER OF THE PROPERTIES)**

A notice convening the SGM of Easyknit International Holdings Limited to be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 3 September 2009 at 10:30 a.m. is set out on pages 129 to 130 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

** For identification only*

7 August 2009

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DEFINITIONS

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

| | |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “2008 Transaction” | the acquisition of the entire issued share capital of Trump Elegant Investment Limited from the Seller pursuant to a sale and purchase agreement dated 24 June 2008 |
| “Acquisition” | the proposed acquisition of the Sale Share by Easyknit Properties subject to the terms and conditions of the Agreement |
| “Agreement” | an agreement dated 14 July 2009 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 sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, 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 fixed for completion of the Agreement, which is to be 6 October 2009, or such other date as the parties may agree in writing |
| “Consideration” | consideration of HK\$2.44 million to be paid for 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 |
| “Enlarged Group” | the Group and Kingbest |
| “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 |

DEFINITIONS

| | |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Independent Third Party” | a third party independent of the Company and of connected persons (as defined in the Listing Rules) of the Company |
| “Kingbest” | Kingbest Capital Holdings Limited, a company incorporated in British Virgin Islands, which is wholly owned by the Seller |
| “Latest Practicable Date” | 5 August 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan” | a loan of an amount or amounts not exceeding HK\$7.41 million in aggregate to be advanced by Easyknit Properties to Kingbest |
| “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 |
| “Properties” | the units located at the Front Portion (No. 311B Prince Edward Road West) & the Rear Portion (No. 311D Prince Edward Road West) of the Building, which are subject to the Property Purchase Agreements |
| “Property Purchase Agreement(s)” | the six agreement(s) for sale and purchase entered into between Kingbest and each of the Property Vendor(s) in relation to the sale and purchase of the Properties |
| “Property Vendors” | the respective vendor(s) under each of the Property Purchase Agreement(s), each of which are Independent Third Parties |
| “Sale Share” | the one ordinary share of US\$1.00 in the share capital of Kingbest, which has been issued and fully paid up and which represents the entire issued share capital of Kingbest at Completion |
| “Seller” | Ng Kwai Tung, an individual who is an Independent Third Party |
| “SGM” | the special general meeting of the Company to be convened on 3 September 2009 at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 10:30 a.m. to consider and, if thought fit, approve, the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option |

DEFINITIONS

| | |
|------------------|------------------------------------------------------------------------|
| “Shareholder(s)” | holder(s) of Shares |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

LETTER FROM THE BOARD



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 & Chief Executive Officer)
Ms. Lui Yuk Chu *(Vice President)*

Non-executive Director:

Mr. Tse Wing Chiu, Ricky

Independent Non-executive Directors:

Mr. Tsui Chun Kong
Mr. Jong Koon Sang
Mr. Hon Tam Chun

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place of
Business in Hong Kong:*

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

7 August 2009

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

**PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
KINGBEST CAPITAL HOLDINGS LIMITED
(THE PROPOSED ACQUIRER OF THE PROPERTIES)**

INTRODUCTION

The Company announced on 17 July 2009, that, amongst other things, on 14 July 2009, Easyknit Properties, a wholly owned subsidiary of the Company, as the buyer, entered into the Agreement with the Seller, pursuant to which amongst other things Easyknit Properties conditionally agreed to acquire,

* *For identification only*

LETTER FROM THE BOARD

and the Seller agreed to sell the Sale Share for a total consideration of HK\$2.44 million. The Sale Share represents the entire issued share capital of Kingbest. Under the Agreement, Easyknit Properties has also agreed to advance the Loan to Kingbest up to an aggregate amount not exceeding HK\$7.41 million, and as at the Latest Practicable Date, a total amount of HK\$7.41 million had been advanced. The Loan is personally guaranteed by the Seller.

The purpose of this circular is to set out details of the Agreement and the transactions contemplated thereunder and to give notice convening the SGM at which a resolution will be proposed to Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option.

Kingbest is the purchaser under the Property Purchase Agreements. The acquisition of Kingbest will enable the Group to acquire the Properties, which represent all units or 100% of the undivided shares in the Building. Kingbest is committed to paying various sums as deposits under the Property Purchase Agreements. The Loan to Kingbest is to be used exclusively in and towards such payments, to avoid any default on the part of Kingbest under the Property Purchase Agreements.

The applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 25% but are less than 100%, and therefore the Acquisition itself constitutes a major transaction under Rule 14.06(3) of the Listing Rules. Easyknit Properties entered into an agreement with the Seller on 24 June 2008 in connection with the 2008 Transaction. The 2008 Transaction constituted a major transaction under the Listing Rules, and was duly approved by the Shareholders in a special general meeting held on 25 August 2008. Under Listing Rule 14.22, the Stock Exchange may require the aggregation of a series of transactions which are all completed within a 12 month period, or are otherwise related. The Board has aggregated the two transactions for the purposes of calculating the percentage ratios. As the applicable percentage ratios of the Acquisition when aggregated with the 2008 Transaction exceed 100%, the Acquisition when aggregated with the 2008 Transaction constitutes a very substantial acquisition under Rule 14.06(5) 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. As no Shareholder has any material interest in the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Acquisition and the Option. In accordance with Rule 13.39(4) of the Listing Rules, the vote of the Shareholders at the SGM will be taken by poll.

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 are less than 5% and hence the Loan does not constitute a notifiable transaction under the Listing Rules.

THE AGREEMENT

Date

14 July 2009

LETTER FROM THE BOARD

Parties

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

To the best of the Directors' knowledge, information and belief, and 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 Kingbest.

As a result of the Acquisition, Kingbest will become an indirectly wholly owned subsidiary of the Company.

Loan

Under the Agreement, Easyknit Properties has agreed to advance the Loan to Kingbest on the terms and subject to the conditions of the Agreement. From time to time on the request of the Seller on behalf of Kingbest and against issue to it of a promissory note in the relevant amount, Easyknit Properties will advance to Kingbest 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\$7.41 million.

The Loan is to be used exclusively in and towards payment of the deposits in respect of the Property Purchase Agreements, which at the date of the Agreement is estimated to be approximately HK\$7.41 million. The Loan 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 30 September 2009 (or such later date as may be agreed between Easyknit Properties and the Seller):

- (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;
- (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;

LETTER FROM THE BOARD

- (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;
- (e) a due diligence review being carried out on Kingbest by, and having been completed to the satisfaction of, Easyknit Properties in its sole discretion;
- (f) title investigation on the Properties being carried out to the satisfaction of Easyknit Properties; and
- (g) simultaneous completion of the sale and purchase of all the Properties.

As at the Latest Practicable Date, conditions (a) and (e) have been satisfied.

Consideration

The consideration for the Sale Share is HK\$2.44 million, which shall be paid by Easyknit Properties to the Seller in cash on Completion.

The consideration of HK\$2.44 million was determined after arm's length negotiations between Easyknit Properties and the Seller after taking into consideration the fair value of the Sale Share and Kingbest, 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 from 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 or if in the sole opinion of Easyknit Properties, the title to the Properties is defective, or vacant possession of the Properties is not obtained on the specified dates, at a consideration equivalent to the aggregate of (i) HK\$2.44 million and (ii) the total sum paid by Kingbest 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 2009.

LETTER FROM THE BOARD

Acquisition of the Properties by Kingbest

During the period between 14 May 2009 and 6 July 2009, Kingbest entered into six sale and purchase agreements with six different Property Vendors for the acquisition of a total of six units in the Building. The completion of all the Property Purchase Agreements is expected to be on or before 20 October 2009. The total consideration for the acquisition of the Properties under the Property Purchase Agreements is HK\$63.85 million.

As at the Latest Practicable Date, Kingbest has paid a total of HK\$8.61 million as deposits under the Property Purchase Agreements (representing approximately 13.48% of the total consideration under all of the Property Purchase Agreements) to the Property Vendors. Upon completion of the Property Purchase Agreements, Kingbest will have to pay the balance of the consideration in the sum of HK\$55.24 million to the Property Vendors. If the Agreement completes on the Completion Date, Kingbest 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 Kingbest.

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, industrial and residential properties in Hong Kong. Kingbest is the purchaser under the Property Purchase Agreements. The acquisition of the entire issued share capital of Kingbest will enable the Group to acquire the Properties, which represent all of the units in the Building.

Kingbest is committed to paying various sums as deposits under the Property Purchase Agreements. The Loan to Kingbest is to be used exclusively in and towards such payments, to avoid any default on the part of Kingbest under the Property Purchase Agreements.

Based on the valuation by independent valuers, the current market value of the 100% interest of the Building on the basis of redevelopment with vacant possession is HK\$70 million as at 30 June 2009.

All except one of the Properties are to be sold under the Property Purchase Agreements with vacant possession and it is a term of the Agreement that vacant possession of those Properties will be delivered by various dates ranging from 14 December 2009 to 20 July 2010.

LETTER FROM THE BOARD

The Building is adjacent to the building situated on Section B of Kowloon Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) which the Group agreed to acquire from the Seller pursuant to an agreement of 24 June 2008. That building will be wholly-owned by the Group on completion of certain formalities relating to the grant of probate in respect of the estate of a deceased owner of part of the property and the Directors intend that both will be redeveloped together.

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

Information on Kingbest

Kingbest was incorporated on 8 April 2009 and has never carried on any business save for entering into the Property Purchase Agreements. Accordingly, from the date of incorporation of Kingbest up until the date of the Agreement, there are no net profits attributable to Kingbest. The net asset value of Kingbest as at the Latest Practicable Date is HK\$7.8.

At 31 July 2009, its sole material assets are the six Property Purchase Agreements and the deposits paid and its rights under the Property Purchase Agreements. The liabilities of Kingbest consist of a debt (owed to the Seller) of approximately HK\$1.2 million, a debt (owed to Easyknit Properties) of HK\$7.41 million and its liabilities under the Property Purchase Agreements.

EFFECTS ON EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

As one of the Properties is subject to a tenancy agreement which will expire on 14 December 2009, the acquisition of Kingbest and the Properties will lead to a small increase in earnings of the Group by approximately HK\$58,839 for the year ending 31 March 2010 and there is expected to be no rental income generated from the Properties for the year ending 31 March 2011.

On a 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\$68.78 million; and (ii) the cash reserve will decrease by approximately HK\$68.78 million. The acquisition of Kingbest, the advance of the Loan and the acquisition of the Properties will have no effect on the Group's liabilities before Completion because the Group will utilise only its internal resources for the expenses and costs incurred in the Acquisition and the advance of the Loan.

SGM

A notice convening the SGM of the Company to be held on 3 September, 2009 at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 10:30 a.m. is set out on pages 129 to 130 of this circular. An ordinary resolution will be proposed at the SGM for the Shareholders to approve the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option.

LETTER FROM THE BOARD

No Shareholder has any material interest in the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option. Therefore, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Agreement. In accordance with Rule 13.39(4) of the Listing Rules, the vote of the Shareholders at the SGM will be taken by poll.

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 Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible 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 is of the opinion that the terms of the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option, are on normal commercial terms, are fair and reasonable and 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, including the Acquisition and the Option.

ADDITIONAL INFORMATION

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

For and on behalf of
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 2009 as published in the 08/09 and 07/08 annual reports of the Company. No qualified opinions were issued by the Company's auditor for any of the three years ended 31 March 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March

| | 2009 | 2008 | 2007 |
|--------------------------------------------------------------------------------|-------------------------|----------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 458,068 | 521,339 | 557,737 |
| Cost of sales | <u>(373,912)</u> | <u>(424,141)</u> | <u>(454,276)</u> |
| Gross profit | 84,156 | 97,198 | 103,461 |
| Other income | 18,025 | 24,037 | 14,686 |
| Distribution and selling expenses | (9,805) | (11,747) | (14,526) |
| Administrative expenses | (49,288) | (45,460) | (50,868) |
| (Loss) gain arising on changes in fair value of investment properties | (21,760) | 52,928 | 7,370 |
| Impairment loss on available-for-sale investments | (32,162) | (33,163) | (121,465) |
| Impairment loss on properties held for development | (25,632) | — | — |
| Gain on fair value change of structured deposit | 795 | — | — |
| 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 | (60,408) | (9,690) | 1,235 |
| Gain (loss) on disposal of available-for-sale investments | 3,803 | (7,594) | (43,027) |
| Gain on partial disposal of interests in associates | 1,021 | — | — |
| Share of results of associates | (15,044) | (6,399) | (4,125) |
| Finance costs - interest on bank borrowings wholly repayable within five years | <u>(91)</u> | <u>(10)</u> | <u>(31)</u> |
| (Loss) profit before taxation | (106,390) | 60,100 | (109,470) |
| Taxation credit (charge) | <u>5,006</u> | <u>4,236</u> | <u>(6,127)</u> |
| (Loss) profit for the year attributable to equity holders of the Company | <u><u>(101,384)</u></u> | <u><u>64,336</u></u> | <u><u>(115,597)</u></u> |

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

| | 2009 | 2008 | 2007 |
|---------------------------------|------------------|------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current assets | | | |
| Property, plant and equipment | 15,489 | 16,428 | 17,938 |
| Properties held for development | 99,000 | — | 156,283 |
| Investment properties | 544,920 | 566,680 | 606,170 |
| Intangible asset | 921 | 921 | 921 |
| Interests in associates | 113,036 | 94,438 | 60,590 |
| Available-for-sale investments | 33,891 | 79,812 | 84,830 |
| Loans receivable | — | 83 | 5,125 |
| | <u>807,257</u> | <u>758,362</u> | <u>931,857</u> |
| Current assets | | | |
| Properties held for development | 181,204 | 178,587 | — |
| Properties held for sale | — | 1,822 | 7,228 |
| Investments held for trading | 93,420 | 139,033 | 41,566 |
| Inventories | 3,490 | 2,942 | 9,866 |
| Trade and other receivables | 44,060 | 32,143 | 49,278 |
| Loans receivable | 86,068 | 134,000 | 43,255 |
| Bills receivable | 39,180 | 30,826 | 46,661 |
| Tax recoverable | 31 | 368 | — |
| Structured deposit | 24,045 | — | — |
| Bank balances and cash | 165,147 | 281,315 | 343,353 |
| | <u>636,645</u> | <u>801,036</u> | <u>541,207</u> |
| Current liabilities | | | |
| Trade and other payables | 28,692 | 40,482 | 46,903 |
| Bills payable | 9,683 | 3,566 | 4,648 |
| Tax payable | 25,657 | 23,978 | 24,102 |
| | <u>64,032</u> | <u>68,026</u> | <u>75,653</u> |
| Net current assets | <u>572,613</u> | <u>733,010</u> | <u>465,554</u> |
| | <u>1,379,870</u> | <u>1,491,372</u> | <u>1,397,411</u> |

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

| | 2009 | 2008 | 2007 |
|--------------------------------|-------------------------|-------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital and reserves | | | |
| Share capital | 7,942 | 7,942 | 7,942 |
| Reserves | <u>1,357,242</u> | <u>1,461,587</u> | <u>1,361,236</u> |
| | 1,365,184 | 1,469,529 | 1,369,178 |
| Non-current liabilities | | | |
| Deferred taxation | <u>14,686</u> | <u>21,843</u> | <u>28,233</u> |
| | <u><u>1,379,870</u></u> | <u><u>1,491,372</u></u> | <u><u>1,397,411</u></u> |

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained on pages 28 to 89 of the annual report of the Company for the year ended 31 March 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

| | <i>Notes</i> | 2009 <i>HK\$'000</i> | 2008 <i>HK\$'000</i> |
|--------------------------------------------------------------------------------|--------------|--------------------------------|--------------------------------|
| Turnover | 7 | 458,068 | 521,339 |
| Cost of sales | | <u>(373,912)</u> | <u>(424,141)</u> |
| Gross profit | | 84,156 | 97,198 |
| Other income | | 18,025 | 24,037 |
| Distribution and selling expenses | | (9,805) | (11,747) |
| Administrative expenses | | (49,288) | (45,460) |
| (Loss) gain arising on changes in fair value of investment properties | | (21,760) | 52,928 |
| Impairment loss on available-for-sale investments | 9 | (32,162) | (33,163) |
| Impairment loss on properties held for development | 10 | (25,632) | — |
| Gain on fair value change of structured deposit | | 795 | — |
| Loss on fair value changes of investments held for trading | | (60,408) | (9,690) |
| Gain (loss) on disposal of available-for-sale investments | | 3,803 | (7,594) |
| Gain on partial disposal of interests in associates | 11 | 1,021 | — |
| Share of results of associates | | (15,044) | (6,399) |
| Finance costs — interest on bank borrowings wholly repayable within five years | | <u>(91)</u> | <u>(10)</u> |
| (Loss) profit before taxation | 12 | (106,390) | 60,100 |
| Taxation credit | 14 | <u>5,006</u> | <u>4,236</u> |
| (Loss) profit for the year attributable to equity holders of the Company | | <u>(101,384)</u> | <u>64,336</u> |
| Basic (loss) earnings per share | 16 | <u>HK\$(0.128)</u> | <u>HK\$0.081</u> |

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED BALANCE SHEET***At 31 March 2009*

| | <i>Notes</i> | 2009 <i>HK\$'000</i> | 2008 <i>HK\$'000</i> |
|---------------------------------|--------------|--------------------------------|--------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 18 | 15,489 | 16,428 |
| Properties held for development | 19 | 99,000 | — |
| Investment properties | 20 | 544,920 | 566,680 |
| Intangible asset | 21 | 921 | 921 |
| Interests in associates | 22 | 113,036 | 94,438 |
| Available-for-sale investments | 23 | 33,891 | 79,812 |
| Loans receivable | 28 | — | 83 |
| | | <u>807,257</u> | <u>758,362</u> |
| Current assets | | | |
| Properties held for development | 19 | 181,204 | 178,587 |
| Properties held for sale | 24 | — | 1,822 |
| Investments held for trading | 25 | 93,420 | 139,033 |
| Inventories | 26 | 3,490 | 2,942 |
| Trade and other receivables | 27 | 44,060 | 32,143 |
| Loans receivable | 28 | 86,068 | 134,000 |
| Bills receivable | 29 | 39,180 | 30,826 |
| Tax recoverable | | 31 | 368 |
| Structured deposit | 30 | 24,045 | — |
| Bank balances and cash | 31 | <u>165,147</u> | <u>281,315</u> |
| | | <u>636,645</u> | <u>801,036</u> |
| Current liabilities | | | |
| Trade and other payables | 32 | 28,692 | 40,482 |
| Bills payable | 33 | 9,683 | 3,566 |
| Tax payable | | <u>25,657</u> | <u>23,978</u> |
| | | <u>64,032</u> | <u>68,026</u> |
| Net current assets | | <u>572,613</u> | <u>733,010</u> |
| | | <u>1,379,870</u> | <u>1,491,372</u> |

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

| | <i>Notes</i> | 2009 <i>HK\$'000</i> | 2008 <i>HK\$'000</i> |
|--------------------------------|--------------|--------------------------------|--------------------------------|
| Capital and reserves | | | |
| Share capital | 34 | 7,942 | 7,942 |
| Reserves | | <u>1,357,242</u> | <u>1,461,587</u> |
| | | 1,365,184 | 1,469,529 |
| Non-current liabilities | | | |
| Deferred taxation | 36 | <u>14,686</u> | <u>21,843</u> |
| | | <u>1,379,870</u> | <u>1,491,372</u> |

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2009

| | 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 | Accumulated profits | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 <i>(note a)</i> | HK\$'000 | HK\$'000 <i>(note b)</i> | HK\$'000 <i>(note c)</i> | HK\$'000 | HK\$'000 <i>(note d)</i> | HK\$'000 | HK\$'000 |
| At 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 and 1 April 2008 | 7,942 | 218,330 | 196,565 | 6,364 | 9,800 | 220,937 | 4,026 | 2,521 | 803,044 | 1,469,529 |
| Change in fair value of available-for-sale investments | — | — | — | — | — | — | (32,385) | — | — | (32,385) |
| Share of translation reserve of associates | — | — | — | 1,098 | — | — | — | — | — | 1,098 |
| Exchange differences on translation of foreign operations | — | — | — | (33) | — | — | — | — | — | (33) |
| Net income (expenses) recognised directly in equity | — | — | — | 1,065 | — | — | (32,385) | — | — | (31,320) |
| Released on disposal of available-for-sale investments | — | — | — | — | — | — | (3,803) | — | — | (3,803) |
| Impairment loss on available-for-sale investments | — | — | — | — | — | — | 32,162 | — | — | 32,162 |
| Loss for the year | — | — | — | — | — | — | — | — | (101,384) | (101,384) |
| Total recognised income and expenses for the year | — | — | — | 1,065 | — | — | (4,026) | — | (101,384) | (104,345) |
| At 31 March 2009 | 7,942 | 218,330 | 196,565 | 7,429 | 9,800 | 220,937 | — | 2,521 | 701,660 | 1,365,184 |

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 2009

| | 2009 HK\$'000 | 2008 HK\$'000 |
|-----------------------------------------------------------------------|------------------|------------------|
| Cash flows from operating activities | | |
| (Loss) profit before taxation | (106,390) | 60,100 |
| Adjustments for: | | |
| Share of results of associates | 15,044 | 6,399 |
| Interest income | (11,211) | (17,484) |
| Interest expense | 91 | 10 |
| Depreciation of property, plant and equipment | 1,086 | 1,140 |
| Amortisation of land portion of properties held for development | 899 | — |
| Impairment loss on available-for-sale investments | 32,162 | 33,163 |
| Impairment loss on properties held for development | 25,632 | — |
| Reversal of impairment loss on trade and other receivables | — | (12) |
| (Gain) loss on disposal of available-for-sale investments | (3,803) | 7,594 |
| Dividend income from listed investments | (5,591) | (2,503) |
| Loss on fair value changes of investments held for trading | 60,408 | 9,690 |
| Loss (gain) arising on changes in fair value of investment properties | 21,760 | (52,928) |
| Gain on partial disposal of interests in associates | (1,021) | — |
| Gain on fair value change of structured deposit | (795) | — |
| Operating profit before movements in working capital | 28,271 | 45,169 |
| Increase in properties held for development | (128,148) | (22,304) |
| Decrease in properties held for sale | 1,822 | 5,406 |
| Increase in investments held for trading | (14,795) | (107,157) |
| (Increase) decrease in inventories | (548) | 6,924 |
| Decrease (increase) in loans receivable | 48,015 | (85,703) |
| (Increase) decrease in trade and other receivables | (11,917) | 17,147 |
| (Increase) decrease in bills receivable | (8,354) | 15,835 |
| Decrease in trade and other payables | (11,790) | (6,421) |
| Increase (decrease) in bills payable | 6,117 | (1,082) |
| Cash used in operations | (91,327) | (132,186) |
| Hong Kong Profits Tax paid | (135) | (2,646) |
| Loan interest received | 7,658 | 3,370 |
| Dividend received from investments held for trading | 2,663 | 1,508 |

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

| | 2009 | 2008 |
|----------------------------------------------------------------------------------------|-----------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net cash used in operating activities | <u>(81,141)</u> | <u>(129,954)</u> |
| Cash flows from investing activities | | |
| Proceeds from disposal of available-for-sale investments | 13,536 | 50,417 |
| Bank interest received | 3,553 | 14,114 |
| Dividend received from available-for-sale investments | 2,928 | 995 |
| Capital contribution to associates | (31,523) | (36,448) |
| Purchase of structured deposit | (23,250) | — |
| Purchase of property, plant and equipment | (147) | (206) |
| Proceeds from disposal of investment properties | — | 92,418 |
| Proceeds from disposal of property, plant and equipment | — | 576 |
| Purchase of available-for-sale investments | <u>—</u> | <u>(53,940)</u> |
| Net cash (used in) from investing activities | <u>(34,903)</u> | <u>67,926</u> |
| Cash used in financing activities | | |
| Interest paid | <u>(91)</u> | <u>(10)</u> |
| Net decrease in cash and cash equivalents | (116,135) | (62,038) |
| Cash and cash equivalents at beginning of the year | 281,315 | 343,353 |
| Effect of foreign exchange rate changes | <u>(33)</u> | <u>—</u> |
| Cash and cash equivalents at end of the year, represented by bank balances and cash | <u><u>165,147</u></u> | <u><u>281,315</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

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, property investments and development, investment in securities and loan financing.

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 (“HKFRSs”)

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) have applied, for the first time, the following Amendments and Interpretations (“INTs”) (collectively “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

| | |
|--------------------------------|-------------------------------------------------------------------------------------------------------|
| HKAS 39 & HKFRS 7 (Amendments) | Reclassification of financial assets |
| HK(IFRIC)* – INT 12 | Service concession arrangements |
| HK(IFRIC) – INT 14 | HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction |

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

| | |
|-----------------------------------|--------------------------------------------------------------------------------------------|
| HKFRSs (Amendments) | Improvements to HKFRSs 2008 ¹ |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 ² |
| HKAS 1 (Revised) | Presentation of financial statements ³ |
| HKAS 23 (Revised) | Borrowing costs ³ |
| HKAS 27 (Revised) | Consolidated and separate financial statements ⁴ |
| HKAS 32 & 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation ³ |
| HKAS 39 (Amendment) | Eligible hedged items ⁴ |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an investment in a subsidiary, jointly controlled entity or associate ³ |
| HKFRS 2 (Amendment) | Vesting conditions and cancellations ³ |
| HKFRS 3 (Revised) | Business combinations ⁴ |
| HKFRS 7 (Amendment) | Improving disclosures about financial instruments ³ |
| HKFRS 8 | Operating segments ³ |

| | |
|---------------------------------------------|----------------------------------------------------------------|
| HK(IFRIC) – INT 9 & HKAS 39 (Amendments) | Embedded derivatives ⁵ |
| HK(IFRIC) – INT 13 | Customer loyalty programmes ⁶ |
| HK(IFRIC) – INT 15 | Agreements for the construction of real estate ³ |
| HK(IFRIC) – INT 16 | Hedges of a net investment in a foreign operation ⁷ |
| HK(IFRIC) – INT 17 | Distribution of non-cash assets to owners ⁴ |
| HK(IFRIC) – INT 18 | Transfer of assets from customers ⁸ |

¹ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2009.

⁴ Effective for annual periods beginning on or after 1 July 2009.

⁵ Effective for annual periods ending on or after 30 June 2009.

⁶ Effective for annual periods beginning on or after 1 July 2008.

⁷ Effective for annual periods beginning on or after 1 October 2008.

⁸ Effective for transfers on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of HKFRS 3 (Revised) may affect the accounting 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 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group'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 and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

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.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL, including structured deposit, 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 profit or loss, 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.

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.

(a) 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 receivable, additional allowances may be required.

(b) Impairment loss on properties held for development

Management review the recoverability of the Group's properties held for development amounting to HK\$280,204,000 (2008: HK\$178,587,000) with reference to current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets may exceed its net realisable value or recoverable amount, as appropriate. Appropriate write-down for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the net realisable value or recoverable amount is below cost. The estimates of net realisable value or recoverable amount are based on the evidence available at the time the estimates are made, and the amounts the properties held for development are expected to realise or recover. Actual realised amount or recoverable amount may differ from estimates, resulting in a decrease in the net realisable value or recoverable amount of these properties held for development and additional write-down 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

| | 2009 <i>HK\$'000</i> | 2008 <i>HK\$'000</i> |
|-----------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | | |
| Trade and other receivables | 17,182 | 18,620 |
| Loans receivable | 86,068 | 134,083 |
| Bills receivable | 39,180 | 30,826 |
| Bank balances and cash | <u>165,147</u> | <u>281,315</u> |
| | <u>307,577</u> | <u>464,844</u> |
| Fair value through profit or loss | | |
| Investments held for trading | 93,420 | 139,033 |
| Designated at fair value through profit or loss — structured deposit (<i>Note</i>) | <u>24,045</u> | <u>—</u> |
| | <u>117,465</u> | <u>139,033</u> |
| Available-for-sale financial assets | | |
| Available-for-sale investments | <u>33,891</u> | <u>79,812</u> |
| Financial liabilities | | |
| Amortised costs | | |
| Trade and other payables | 23,773 | 35,550 |
| Bills payable | <u>9,683</u> | <u>3,566</u> |
| | <u>33,456</u> | <u>39,116</u> |
| <i>Note:</i> | | |
| | 2009 <i>HK\$'000</i> | 2008 <i>HK\$'000</i> |
| Difference between carrying amount and outstanding principal amount | | |
| At fair value | 24,045 | — |
| Outstanding principal at balance sheet date | <u>(23,250)</u> | <u>—</u> |
| | <u>795</u> | <u>—</u> |

b. **Financial risk management objectives and policies**

The Group's major financial instruments include available-for-sale investments, investments held for trading, structured deposit, 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 that 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 certain of the Group's loans receivable at 31 March 2008 are at variable rates. The Group has reduced such risk by keeping all loans receivable at 31 March 2009 at fixed rates (see note 28 for details of these loans). The management monitors interest rate exposure and will consider hedging interest rate risk should the need arise.

At 31 March 2009, the Group is also exposed to fair value interest rate risk in relation to fixed-rate loans receivable (see note 28 for details of these loans) and fixed-rate bank balances. 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.

Sensitivity analysis

The sensitivity analysis below had been determined based on the exposure to interest rates for variable-rate loans receivable at 31 March 2008. The analysis was prepared assuming the amount of variable-rate loans receivable outstanding at 31 March 2008 was outstanding for the whole year. No sensitivity analysis has been prepared for the year ended 31 March 2009 as all loans receivable are at fixed interest rate.

If interest rates on variable-rate loans receivable had been 100 basis points higher/lower and all other variables were held constant, profit for the year ended 31 March 2008 would increase/decrease by HK\$74,000. This was mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable.

(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 84% 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 | |
|-------------------------------|---------------|---------------|-------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| United States dollars ("USD") | 96,477 | 51,026 | 192 | 1,973 |
| Euro | 338 | 13,935 | — | — |
| Renminbi ("RMB") | 795 | — | — | — |
| | <u>97,610</u> | <u>64,961</u> | <u>192</u> | <u>1,973</u> |

Sensitivity analysis

The Group is mainly exposed to the exchange rate risk on HKD against USD and Euro for the foreign currency denominated monetary assets (other than structured deposit) and monetary liabilities.

The sensitivity analysis includes outstanding foreign currency denominated monetary items excluding structured deposit and adjusts their translation at year end for a 5% change in foreign currency rates. As HKD is pegged to USD, the financial impact on exchange difference between USD and HKD is expected to be immaterial and therefore excluded from the following analysis. A positive number indicates a decrease in loss for the year ended 31 March 2009 or an increase in profit for the year ended 31 March 2008 where HKD weaken 5% against Euro. For a 5% strengthening of HKD against Euro, there would be an equal and opposite impact in the loss for the year ended 31 March 2009 or the profit for the year ended 31 March 2008 and the balances below would be negative.

| | |
|-----------------------------------------------------------|-----------------|
| | <i>HK\$'000</i> |
| Loss for the year ended 31 March 2009 would decrease by | <u>14</u> |
| Profit for the year ended 31 March 2008 would increase by | <u>575</u> |

As at 31 March 2009, the Group is also exposed to the exchange rate risk on USD against RMB for the structured deposit as the return of which is determined with reference to the change in exchange rate between USD and RMB. A positive number indicates a decrease in loss for the year ended 31 March 2009 where USD weaken 5% against RMB. For a 5% strengthening of USD against RMB, there would be an equal and opposite impact in the loss for the year ended 31 March 2009 and the balances below would be negative.

| | |
|---------------------------------------------------------|-----------------|
| | <i>HK\$'000</i> |
| Loss for the year ended 31 March 2009 would decrease by | <u>33</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. In management's opinion, the sensitivity analysis is unrepresentative of the currency risk as the year end exposure does not reflect the exposures during the year.

(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 risk at the reporting date.

If the prices of the respective equity instruments had been 10% (2008: 5%) higher/lower, loss for the year ended 31 March 2009 would decrease/increase by HK\$7,801,000 (profit for the year ended 31 March 2008 would increase/decrease by HK\$5,735,000) as a result of the changes in fair value of investments held for trading; and loss for the year ended 31 March 2009 would decrease/increase by HK\$3,389,000 (profit for the year ended 31 March 2008 would increase/decrease by

HK\$3,991,000) as a result of the changes in fair value of the available-for-sale investments. The management adjusted the sensitivity rate from 5% to 10% for assessing equity price risk after considering the impact of the volatile financial market conditions after the third quarter of 2008. 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 2009 and 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 2009 of HK\$11,704,000 (2008: HK\$15,690,000) was derived from a few customers, in which all trade receivables as at 31 March 2009 and 2008 which were not yet past due except for approximately 13% (2008: 25%) of these trade receivables were past due but not impaired at the balance sheet date. The management considered that the credit risk of these trade receivables is minimal as all are with long business relationship. 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\$86,068,000 at 31 March 2009 (2008: HK\$134,083,000). The largest borrower of the Group by itself and together with the other four largest borrowers of the Group accounted for approximately 10.5% and 45.3% respectively (2008: 7.5% and 37.3% respectively) of the Group's loans receivable at 31 March 2009. At 31 March 2009 and 2008, all loans receivable are neither past due nor impaired and the borrowers are assessed to have satisfactory credit quality. 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.

In addition, the Group has concentration of credit risk in relation to the structured deposit due from a bank at 31 March 2009 and also has credit risk on its liquid funds. In the opinion of the directors of the Company, the credit risk on liquid funds and structured deposit 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 2009, the Group has available unutilised bank loan facilities of HK\$25,317,000 (2008: HK\$106,434,000).

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 |
|---------------------------------------------|--------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------------------|------------------------------------------------|
| 2009 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade and other payables | N/A | 13,847 | 9,926 | 23,773 | 23,773 |
| Bills payable | N/A | <u>9,683</u> | — | <u>9,683</u> | <u>9,683</u> |
| | | <u>23,530</u> | <u>9,926</u> | <u>33,456</u> | <u>33,456</u> |
| 2008 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade and other payables | N/A | 26,379 | 9,171 | 35,550 | 35,550 |
| Bills payable | N/A | <u>3,566</u> | — | <u>3,566</u> | <u>3,566</u> |
| | | <u>29,945</u> | <u>9,171</u> | <u>39,116</u> | <u>39,116</u> |

c. **Fair value**

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

- the fair value of financial assets (except for structured deposit) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of structured deposit is calculated using discounted cash flow analyses based on the applicable yield curves of relevant interest rates and exchange rates; 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 to their fair values.

7. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of returns and properties sold 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:

| | 2009 | 2008 |
|--------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sales of goods | 427,428 | 487,806 |
| Rental income | 28,166 | 27,164 |
| Sales of properties | 2,188 | 6,080 |
| Building management fee income | <u>286</u> | <u>289</u> |
| | <u>458,068</u> | <u>521,339</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 2009

(i) Income statement

| | Garment sourcing and exporting | Property investments | Property development | Investment in securities | Loan financing | Eliminations | Consolidated |
|--------------------------------------------------------|-----------------------------------------|-------------------------|-------------------------|-----------------------------|-------------------|----------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| TURNOVER | | | | | | | |
| External | 427,428 | 28,452 | 2,188 | — | — | — | 458,068 |
| Inter-segment | — | 3,018 | — | — | — | (3,018) | — |
| Total | <u>427,428</u> | <u>31,470</u> | <u>2,188</u> | <u>—</u> | <u>—</u> | <u>(3,018)</u> | <u>458,068</u> |
| RESULT | | | | | | | |
| Segment result | <u>11,788</u> | <u>5,393</u> | <u>(26,185)</u> | <u>(83,176)</u> | <u>7,530</u> | <u>(3,506)</u> | (88,156) |
| Unallocated corporate income | | | | | | | 4,312 |
| Unallocated corporate expenses | | | | | | | (8,432) |
| Share of results of associates | | | | | | | (15,044) |
| Gain on partial disposal of interests in associates | | | | | | | 1,021 |
| Finance costs | | | | | | | <u>(91)</u> |
| Loss before taxation | | | | | | | (106,390) |
| Taxation credit | | | | | | | <u>5,006</u> |
| Loss for the year | | | | | | | <u>(101,384)</u> |

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

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

 (ii) *Balance sheet*

| | Garment sourcing and exporting | Property investments | Property development | Investment in securities | Loan financing | Consolidated |
|-----------------------------------|---------------------------------------------------|---------------------------------|---------------------------------|-------------------------------------|---------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| ASSETS | | | | | | |
| Segment assets | 82,591 | 545,890 | 280,204 | 127,311 | 89,547 | 1,125,543 |
| Interests in associates | | | | | | 113,036 |
| Unallocated corporate assets | | | | | | <u>205,323</u> |
| Consolidated total assets | | | | | | <u><u>1,443,902</u></u> |
| LIABILITIES | | | | | | |
| Segment liabilities | 21,716 | 14,778 | 1,237 | — | 39 | 37,770 |
| Unallocated corporate liabilities | | | | | | <u>40,948</u> |
| Consolidated total liabilities | | | | | | <u><u>78,718</u></u> |

 (iii) *Other information*

| | Garment sourcing and exporting | Property investments | Property development | Investment in securities | Loan financing | Consolidated |
|-----------------------------------------------------------------------|---------------------------------------------------|---------------------------------|---------------------------------|-------------------------------------|---------------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital additions | 147 | — | — | — | — | 147 |
| Amortisation of land portion of properties held for development | — | — | 899 | — | — | 899 |
| Depreciation of property, plant and equipment | 698 | 388 | — | — | — | 1,086 |
| Impairment loss on properties held for development | — | — | 25,632 | — | — | 25,632 |
| Impairment loss on available-for-sale investments | — | — | — | 32,162 | — | 32,162 |
| Loss arising on changes in fair value of investment properties | — | 21,760 | — | — | — | 21,760 |
| Loss on fair value changes of investments held for trading | <u>—</u> | <u>—</u> | <u>—</u> | <u>60,408</u> | <u>—</u> | <u>60,408</u> |

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Year 2008

(i) *Income statement*

| | Garment sourcing and exporting | Property investments | Property development | Investment in securities | Loan financing | Eliminations | Consolidated |
|-----------------------------------|---------------------------------------------------|---------------------------------|---------------------------------|-------------------------------------|---------------------------|---------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| TURNOVER | | | | | | | |
| 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> |
| RESULT | | | | | | | |
| 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*

| | Garment sourcing and exporting | Property investments | Property development | Investment in securities | Loan financing | Consolidated |
|-----------------------------------|---------------------------------------------------|---------------------------------|---------------------------------|-------------------------------------|---------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| ASSETS | | | | | | |
| Segment assets | 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> |
| LIABILITIES | | | | | | |
| 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*

| | Garment sourcing and exporting | Property investments | Property development | Investment in securities | Loan financing | Consolidated |
|------------------------------------------------------------------|---------------------------------------------------|---------------------------------|---------------------------------|-------------------------------------|---------------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital additions | 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 | — | — | — | 9,690 | — | 9,690 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>9,690</u> | <u>—</u> | <u>9,690</u> |

Geographical segments

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

| | Turnover | |
|-----------------------------------------------------------------|-----------------|-----------------|
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 30,640 | 33,533 |
| The People's Republic of China, excluding Hong Kong (the "PRC") | 718 | 297 |
| United States of America ("USA") | 380,294 | 435,847 |
| Europe | 34,271 | 39,712 |
| Mexico | <u>12,145</u> | <u>11,950</u> |
| | <u>458,068</u> | <u>521,339</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:

| | Carrying amount of segment assets | | Additions to property, plant and equipment | |
|-----------|----------------------------------------------|------------------|-------------------------------------------------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 1,116,665 | 1,156,897 | 136 | 98 |
| USA | <u>8,878</u> | <u>10,085</u> | <u>11</u> | <u>108</u> |
| | <u>1,125,543</u> | <u>1,166,982</u> | <u>147</u> | <u>206</u> |

9. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 March 2009, an impairment loss on available-for-sale investments of HK\$32,162,000 (2008: HK\$33,163,000) was recognised as a result of significant or prolonged decline in fair value of certain of the Group's listed equity investments below their costs.

10. IMPAIRMENT LOSS ON PROPERTIES HELD FOR DEVELOPMENT

During the year ended 31 March 2009, the Group undertook a review of its development projects to assess their recoverable amounts with reference to valuations made by independent qualified professional property valuers as at 31 March 2009 by using the bare site valuation method. The impairment review was performed by the management at 31 March 2009 after considering the impact of the property market conditions since the financial crisis occurred in October 2008. An impairment loss of HK\$25,632,000 (2008: nil) was recognised as a result of the decline in market value of the properties held for development during the year ended 31 March 2009.

11. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN ASSOCIATES

During the year ended 31 March 2009, the holder of the convertible note issued by Easyknit Enterprises Holdings Limited (“Easyknit Enterprises”), an associate of the Group, 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 31.70% and the gain on partial disposal of interests in associates amounting to HK\$1,021,000 (2008: nil) was recognised during the year ended 31 March 2009.

12. (LOSS) PROFIT BEFORE TAXATION

| | 2009 HK\$'000 | 2008 HK\$'000 |
|-------------------------------------------------------------------|------------------|------------------|
| (Loss) profit before taxation has been arrived at after charging: | | |
| Directors’ remuneration (<i>note 13(a)</i>) | 4,148 | 4,602 |
| Other staff costs, including retirement benefits costs | <u>23,762</u> | <u>24,596</u> |
| Total staff costs | <u>27,910</u> | <u>29,198</u> |
| Depreciation of property, plant and equipment | 1,086 | 1,140 |
| Amortisation of land portion of properties held for development | 899 | — |
| Auditor’s remuneration: | | |
| — current year | 1,019 | 868 |
| — underprovision in prior years | 279 | 145 |
| Cost of inventories recognised as an expense | 372,090 | 418,735 |
| Cost of properties sold | 1,822 | 5,406 |
| Exchange loss, net | 4,679 | — |
| and after crediting: | | |
| Dividend income from listed investments | 5,591 | 2,503 |
| Interest income | 11,211 | 17,484 |
| Reversal of impairment loss on trade and other receivables | <u>—</u> | <u>12</u> |

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

Details of emoluments to the directors of the Company for the year ended 31 March 2009 are as follows:

| | Executive director | | Non-executive director | Independent non-executive director | | | | Total |
|---------------------------------------------|------------------------|-------------|------------------------|------------------------------------|----------------|----------------|--------------|----------|
| | Kwong Jimmy Cheung Tim | Lui Yuk Chu | Tse Wing Chiu, Ricky | Wong Sui Wah, Michael | Jong Koon Sang | Tsui Chun Kong | Hon Tam Chun | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Fees | — | — | 100 | 40 | 100 | 100 | 60 | 400 |
| Other emoluments | | | | | | | | |
| — salaries and other benefits | 960 | 2,716 | — | — | — | — | — | 3,676 |
| — retirement benefits schemes contributions | 12 | 60 | — | — | — | — | — | 72 |
| Total directors' emolument | 972 | 2,776 | 100 | 40 | 100 | 100 | 60 | 4,148 |

Notes:

(i) Mr. Wong Sui Wah, Michael resigned on 25 August 2008.

(ii) Mr. Hon Tam Chun was appointed on 25 August 2008.

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Details of emoluments to the directors of the Company for the year ended 31 March 2008 are as follows:

| | Executive director | | Non-executive director | Independent non-executive director | | | Total |
|---------------------------------------------|--------------------|--------------|------------------------|------------------------------------|----------------|----------------|--------------|
| | Kwong Jimmy | Lui Yuk | Tse Wing Chiu, Ricky | Wong Sui Wah, Michael | Jong Koon Sang | Tsui Chun Kong | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Fees | — | — | 29 | 100 | 100 | 100 | 329 |
| Other emoluments | | | | | | | |
| — salaries and other benefits | 789 | 2,548 | 855 | — | — | — | 4,192 |
| — retirement benefits schemes contributions | 12 | 60 | 9 | — | — | — | 81 |
| Total directors' emoluments | <u>801</u> | <u>2,608</u> | <u>893</u> | <u>100</u> | <u>100</u> | <u>100</u> | <u>4,602</u> |

(Note iii)

Note:

(iii) Mr. Tse Wing Chiu, Ricky was re-designated from executive director to non-executive director during the year ended 31 March 2008.

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

The five highest paid individuals of the Group during the year included two (2008: two) directors. The emoluments of the remaining three (2008: three) highest paid individuals, not being directors, are as follows:

| | 2009 HK\$'000 | 2008 HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Salaries and other benefits | 3,114 | 3,150 |
| Retirement benefits schemes contributions | <u>78</u> | <u>36</u> |
| | <u>3,192</u> | <u>3,186</u> |

The emoluments of these employees fall within the following bands:

| | Number of employees | |
|-------------------------------|---------------------|----------|
| | 2009 | 2008 |
| 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.

14. TAXATION CREDIT

| | 2009 | 2008 |
|-------------------------------------------------------------|----------------|----------------|
| | HK\$'000 | HK\$'000 |
| The credit comprises: | | |
| Current tax - Hong Kong Profits Tax: | | |
| Current year | 2,208 | 2,132 |
| (Over)underprovision in prior years | <u>(57)</u> | <u>22</u> |
| | <u>2,151</u> | <u>2,154</u> |
| Deferred taxation (<i>note 36</i>) | | |
| Credit for the year | (5,908) | (6,390) |
| Attributable to change in tax rate | <u>(1,249)</u> | <u>—</u> |
| | <u>(7,157)</u> | <u>(6,390)</u> |
| Tax credit attributable to the Company and its subsidiaries | <u>(5,006)</u> | <u>(4,236)</u> |

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current tax for the year ended 31 March 2009 and the deferred tax balances have also been adjusted to reflect the change in tax rate.

Hong Kong Profits Tax was provided at 16.5% (2008: 17.5%) on the estimated assessable profit for the year.

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

| | 2009 | 2008 |
|----------------------------------------------------------------------------------|------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss) profit before taxation | <u>(106,390)</u> | <u>60,100</u> |
| Tax (credit) charge of Hong Kong Profits Tax at 16.5% (2008: 17.5%) | (17,554) | 10,518 |
| Tax effect of expenses not deductible for tax purposes | 15,417 | 7,386 |
| Tax effect of income not taxable for tax purposes | (2,331) | (10,669) |
| Tax effect of share of results of associates | 2,482 | 1,120 |
| Tax effect of tax losses not recognised | 1,177 | 1,289 |
| Tax effect of utilisation of tax losses previously not recognised | (2,515) | (2,875) |
| (Over)underprovision in prior years | (57) | 22 |
| Release of deferred taxation arising from disposal of investment properties | — | (11,305) |
| Decrease in opening deferred tax liabilities resulting from decrease in tax rate | (1,249) | — |
| Others | <u>(376)</u> | <u>278</u> |
| Taxation credit for the year | <u>(5,006)</u> | <u>(4,236)</u> |

15. DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2009 (2008: nil).

16. BASIC (LOSS) EARNINGS PER SHARE

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

| | 2009 | 2008 |
|-------------------------------------------------------------------------------------|--------------------|--------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss) earnings for the purposes of calculating basic (loss) earnings per share | <u>(101,384)</u> | <u>64,336</u> |
| | 2009 | 2008 |
| Number of shares | | |
| Number of shares for the purposes of calculating basic (loss) earnings per share | <u>794,204,028</u> | <u>794,204,028</u> |

No diluted (loss) earnings per share is presented as there is no potential ordinary shares of the Company outstanding during both years. In addition, there is no dilutive effect on the Company's diluted (loss) earnings per share in relation to the outstanding convertible note in issue during both years by Easyknit Enterprises, an associate of the Group.

17. 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 Ms. Lui Yuk Chu, a director of the Company, and her spouse, Mr. Koon Wing Yee:

| | 2009 | 2008 |
|-----------------------|-------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Rental income | 376 | 573 |
| Commission income | — | 54 |
| Purchases of garments | — | 150 |
| | <u> </u> | <u> </u> |

- (b) During the year ended 31 March 2009, the Group provided administrative service to Easyknit Enterprises and received service income of HK\$240,000 (2008: HK\$240,000) from Easyknit Enterprises. 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 HK\$576,000 (2009: nil) 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:

| | 2009 | 2008 |
|------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Short-term employee benefits | 8,183 | 8,811 |
| Post employment benefits | <u>207</u> | <u>141</u> |
| | <u>8,390</u> | <u>8,952</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.

18. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold properties <i>HK\$'000</i> <i>(note a)</i> | Furniture, fixtures and equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------------|---------------------------------------------------------------|------------------------------------------------------------|--------------------------------------|--------------------------|
| COST OR VALUATION | | | | |
| At 1 April 2007 | 32,319 | 13,118 | 4,047 | 49,484 |
| Additions | — | 206 | — | 206 |
| Disposals | — | (100) | (1,330) | (1,430) |
| At 31 March 2008 and 1 April 2008 | 32,319 | 13,224 | 2,717 | 48,260 |
| Exchange realignments | — | (5) | — | (5) |
| Additions | — | 147 | — | 147 |
| Disposals | — | (295) | — | (295) |
| At 31 March 2009 | 32,319 | 13,071 | 2,717 | 48,107 |
| Comprising: | | | | |
| At 31 March 2008 | | | | |
| At cost | 3,319 | 13,224 | 2,717 | 19,260 |
| At valuation - 1995 | 29,000 | — | — | 29,000 |
| | <u>32,319</u> | <u>13,224</u> | <u>2,717</u> | <u>48,260</u> |
| At 31 March 2009 | | | | |
| At cost | 3,319 | 13,071 | 2,717 | 19,107 |
| At valuation - 1995 | 29,000 | — | — | 29,000 |
| | <u>32,319</u> | <u>13,071</u> | <u>2,717</u> | <u>48,107</u> |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 April 2007 | 17,485 | 12,460 | 1,601 | 31,546 |
| Provided for the year | 366 | 279 | 495 | 1,140 |
| Eliminated on disposals | — | (100) | (754) | (854) |
| At 31 March 2008 and 1 April 2008 | 17,851 | 12,639 | 1,342 | 31,832 |
| Exchange realignments | — | (5) | — | (5) |
| Provided for the year | 369 | 244 | 473 | 1,086 |
| Eliminated on disposals | — | (295) | — | (295) |
| At 31 March 2009 | 18,220 | 12,583 | 1,815 | 32,618 |
| CARRYING VALUES | | | | |
| At 31 March 2009 | <u>14,099</u> | <u>488</u> | <u>902</u> | <u>15,489</u> |
| At 31 March 2008 | <u>14,468</u> | <u>585</u> | <u>1,375</u> | <u>16,428</u> |

Note:

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

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:

| | 2009 | 2008 |
|---------------------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Properties held on medium-term lease in Hong Kong | <u>14,099</u> | <u>14,468</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\$17,700,000 (2008: HK\$18,200,000).

19. PROPERTIES HELD FOR DEVELOPMENT

| | 2009 | 2008 |
|-----------------------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Carrying amount of properties held for development: | | |
| Non-current assets | 99,000 | — |
| Current assets | <u>181,204</u> | <u>178,587</u> |
| | <u>280,204</u> | <u>178,587</u> |

During the year ended 31 March 2009, 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 cash consideration of HK\$8,300,000. This transaction has been accounted for as a purchase of assets and liabilities rather than business combination as Trump Elegant is not a business. The net assets acquired are as follows:

| | <i>HK\$'000</i> |
|------------------------------------------------------------------------------------------------------|-----------------|
| Net assets acquired: | |
| Deposits for acquisition of properties held for development | 21,510 |
| Properties held for development | 22,267 |
| Trade receivable | 129 |
| Rental deposit received | (90) |
| Amount due to a former shareholder | (3,606) |
| Amount due to a subsidiary of the Company | <u>(31,910)</u> |
| | <u>8,300</u> |
| Total consideration satisfied by cash and cash outflow in respect of the acquisition (<i>Note</i>) | <u>(8,300)</u> |

Note: The cash outflow has been included in operating activities as the acquisition was for the purposes of acquiring properties held for development.

During the year ended 31 March 2009, Trump Elegant completed the acquisition of 11 out of the 12 units in a building situated at Prince Edward Road West, Kowloon, Hong Kong (the “Prince Edward Road Building”) at a total consideration of HK\$117,231,000 (including direct costs). As disclosed in note 10, an impairment loss of HK\$25,632,000 was recognised for these properties held for development during the year ended 31 March 2009.

As at 31 March 2009, due to the uncertainty on the timing of successful acquisition of the remaining unit of the Prince Edward Road Building for development purpose within the Group’s normal operating cycle, properties held for development of HK\$99,000,000 (2008: nil) were not included in the Group’s current assets in the consolidated balance sheet at 31 March 2009.

During the year ended 31 March 2008, the Group completed the acquisition of all units of a building situated at Victory Avenue, Kowloon, Hong Kong (the “Victory Avenue Building”) and the development project has been commenced. At 31 March 2009, the properties held for development in relation to the Victory Avenue Building amounting to HK\$181,204,000 (2008: HK\$178,587,000) was included in the Group’s current assets in the consolidated balance sheet as it is expected that the properties will 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.

20. INVESTMENT PROPERTIES

| | <i>HK\$'000</i> |
|------------------------------------------------------------------------|-----------------------|
| FAIR VALUE | |
| At 1 April 2007 | 606,170 |
| Increase in fair value recognised in the consolidated income statement | 52,928 |
| Disposal | <u>(92,418)</u> |
| | |
| At 31 March 2008 and 1 April 2008 | 566,680 |
| Decrease in fair value recognised in the consolidated income statement | <u>(21,760)</u> |
| | |
| At 31 March 2009 | <u><u>544,920</u></u> |

The fair values of the Group's investment properties at 31 March 2009 and 2008 have been arrived at on the basis of a valuation carried out on those days by Knight Frank Petty Limited, a firm of independent qualified professional property valuers not connected with the Group. Knight Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications. The valuation was arrived at by reference to market evidence of transaction 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 properties situated on lands in Hong Kong which are under:

| | 2009 | 2008 |
|-------------------|-----------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Long lease | 82,000 | 86,000 |
| Medium-term lease | <u>462,920</u> | <u>480,680</u> |
| | <u><u>544,920</u></u> | <u><u>566,680</u></u> |

21. 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.

22. INTERESTS IN ASSOCIATES

| | 2009 | 2008 |
|-----------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Listed securities in Hong Kong, at cost | 144,668 | 112,124 |
| Share of post-acquisition losses | (39,094) | (24,050) |
| Share of translation reserve | <u>7,462</u> | <u>6,364</u> |
| | <u>113,036</u> | <u>94,438</u> |
| Market value of listed securities | <u>32,591</u> | <u>65,605</u> |

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

| | 2009 | 2008 |
|---------------------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total assets | 388,119 | 333,349 |
| Total liabilities | <u>(31,539)</u> | <u>(66,384)</u> |
| Net assets (<i>note</i>) | <u>356,580</u> | <u>266,965</u> |
| Group's share of net assets of associates | <u>113,036</u> | <u>94,438</u> |
| Turnover | <u>59,960</u> | <u>74,923</u> |
| Loss for the year | <u>(47,457)</u> | <u>(17,811)</u> |
| Total share of results of associates for the year | <u>(15,044)</u> | <u>(6,399)</u> |

Note: The amount at 31 March 2008 included the equity component of the convertible note issued by Easyknit Enterprises in March 2008 to a third party amounting to HK\$4,128,000 (2009: nil), which was not shared by the Group.

The Group performed impairment review assessment on interests in associates as at 31 March 2009 based on discounted cashflow analysis. In the opinion of the directors of the Company, no impairment on interests in associates is considered necessary.

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Particulars of the Group's principal associates as at 31 March 2009 and 2008 are as follows:

| Name of associate | Form of business structure | Place of incorporation/ registration | Principal place of operation | Class of shares held | Proportion of nominal value of issued capital/paid up registered capital/stated capital held by the Group | | Nature of business |
|-------------------------------------------------------|----------------------------|--------------------------------------|------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------|---------|-------------------------------------------------------------------------------------------|
| | | | | | 2009 | 2008 | |
| Easyknit Enterprises [#] | Incorporated | Bermuda | Hong Kong | Ordinary | 31.70% | 35.93% | Investment holding |
| Easyknit (Mauritius) Limited | Establishment | Republic of Mauritius | Hong Kong | N/A | 31.70%* | 35.93%* | Investment holding |
| Po Cheong International Enterprises Limited | Incorporated | Hong Kong | Hong Kong | Ordinary | 31.70%* | 35.93%* | Investment holding |
| Tat Cheong International (HK) Limited | Incorporated | Hong Kong | Hong Kong | Ordinary | 31.70%* | 35.93%* | Investment holding |
| 東莞永耀漂染有限公司 ("Wing Yiu") ** | Establishment | PRC | PRC | N/A | 31.70%* | 35.93%* | Bleaching and dyeing |
| 永義紡織(河源)有限公司 ("He Yuan") *** | Establishment | PRC | PRC | N/A | 31.70%* | 35.93%* | Knitting |
| 永義製衣(湖州)有限公司 ("Huzhou Garment") **** | Establishment | PRC | PRC | N/A | 31.70%* | 35.93%* | Construction in progress of garment production plant for own use (suspended) |
| 永義紡織(湖州)有限公司 ("Huzhou Knitting") ***** | Establishment | PRC | PRC | N/A | 31.70%* | 35.93%* | Construction in progress of knitting production plant for own use (suspended) |
| 永義漂染(湖州)有限公司 ("Huzhou Bleaching and Dyeing") ***** | Establishment | PRC | PRC | N/A | 31.70%* | 35.93%* | Construction in progress of bleaching and dyeing production plant for own use (suspended) |
| Gainever Corporation Limited | Incorporated | Hong Kong | Hong Kong | Ordinary | 31.70%* | 35.93%* | Trading of marketable securities |

[#] Easyknit Enterprises is a company listed on the Main Board of the Stock Exchange.

* 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.

23. AVAILABLE-FOR-SALE INVESTMENTS

| | 2009 | 2008 |
|-------------------------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Equity securities listed in Hong Kong at market value | <u>33,891</u> | <u>79,812</u> |

24. PROPERTIES HELD FOR SALE

At 31 March 2008, the properties held for sales were stated at cost and were situated in Hong Kong under medium-term leases. During the year ended 31 March 2009, all properties held for sales were sold to outside customers.

25. INVESTMENTS HELD FOR TRADING

| | 2009 | 2008 |
|-------------------------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Equity securities listed in Hong Kong at market value | <u>93,420</u> | <u>139,033</u> |

26. INVENTORIES

| | 2009 | 2008 |
|----------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Raw materials | 1,113 | — |
| Finished goods | <u>2,377</u> | <u>2,942</u> |
| | <u>3,490</u> | <u>2,942</u> |

27. TRADE AND OTHER RECEIVABLES

| | 2009 | 2008 |
|------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | 11,704 | 16,480 |
| Less: Allowance for doubtful debts | <u>—</u> | <u>(790)</u> |
| | 11,704 | 15,690 |
| Deposits to suppliers | 26,476 | 13,034 |
| Other receivables | <u>5,880</u> | <u>3,419</u> |
| | <u>44,060</u> | <u>32,143</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:

| | 2009 | 2008 |
|--------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 - 60 days | 10,411 | 15,404 |
| 61 - 90 days | 1,245 | 224 |
| Over 90 days | <u>48</u> | <u>62</u> |
| | <u>11,704</u> | <u>15,690</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\$1,536,000 (2008: HK\$3,918,000) 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:

| | 2009 | 2008 |
|--------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Overdue by 1 to 60 days | 1,479 | 3,856 |
| Overdue by 61 to 90 days | 9 | 1 |
| Overdue by over 90 days | <u>48</u> | <u>61</u> |
| | <u>1,536</u> | <u>3,918</u> |

Movement in the allowance for doubtful debts:

| | 2009 | 2008 |
|--------------------------------------|-----------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at beginning of the year | 790 | 5,121 |
| Amounts written off as uncollectible | (790) | (4,319) |
| Amounts recovered during the year | <u>—</u> | <u>(12)</u> |
| Balance at end of the year | <u><u>—</u></u> | <u><u>790</u></u> |

Included in the allowance for doubtful debts at 31 March 2008 were individually impaired trade receivables with an aggregate balance of HK\$790,000 (2009: nil) which had either been placed under liquidation or in financial difficulties. The Group did 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:

| | 2009 | 2008 |
|------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| USD | <u>5,867</u> | <u>4,891</u> |
| Euro | <u>—</u> | <u>2,130</u> |

28. LOANS RECEIVABLE

| | 2009 | 2008 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amount secured by listed equity shares and bearing interest at 9% (2008: the bank's Hong Kong dollars best lending rate plus 2%) per annum | 3,968 | 9,000 |
| Unsecured amount | | |
| — guaranteed by outside parties and bearing interest at a rate ranging from 8% to 8.75% (2008: a rate ranging from 6% to 9.75%) per annum | 26,300 | 75,083 |
| — bearing interest at a rate ranging from 8.25% to 9% (2008: 8.75%) per annum | <u>55,800</u> | <u>50,000</u> |
| | 86,068 | 134,083 |
| Less: Amount due from borrowers within one year shown under current assets | <u>(86,068)</u> | <u>(134,000)</u> |
| Amount due from borrowers after one year but not more than two years shown under non-current assets | <u><u>—</u></u> | <u><u>83</u></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:

| | 2009 | 2008 |
|--------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at beginning of the year | — | 2,160 |
| Amounts written off as uncollectible | — | (2,160) |
| | <u>—</u> | <u>(2,160)</u> |
| Balance at end of the year | <u>—</u> | <u>—</u> |

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

29. BILLS RECEIVABLE

At the balance sheet date, the bills receivable are aged within 90 days (2008: 90 days).

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

| | 2009 | 2008 |
|-----|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| USD | <u>39,180</u> | <u>30,826</u> |

30. STRUCTURED DEPOSIT

The Group did not have structured deposit as at 31 March 2008. During the year ended 31 March 2009, the Group placed a structured deposit with a financial institution in Hong Kong. The structured deposit contains embedded derivative, the return of which is determined with reference to the change in exchange rate between RMB and USD quoted in the market. The structured deposit is designated as fair value through profit or loss at initial recognition.

Major terms of the structured deposit at 31 March 2009 are as follows:

| Principal amount | Maturity | Annual coupon rate |
|------------------------------------------------|-----------------|---------------------------|
| USD3,000,000 (Equivalent to HK\$23,250,000) | 2 July 2009 | 0% to 10% (<i>note</i>) |

Note: The annual coupon rate is dependent on whether the spot rate for conversion of USD for RMB as prevailing in the international foreign exchange market falls within ranges as specified in the agreement during the period from the inception date to the maturity date of the agreement.

At 31 March 2009, the structured deposit is stated at fair value based on valuation provided by the counterparty financial institution for equivalent instruments. The fair value is calculated using discounted cashflow analyses based on the applicable yield curve of relevant interest rate and exchange rates.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The structured deposit matured on 2 July 2009 at a fair value of HK\$25,092,000 and cash proceeds of HK\$25,092,000 were received by the Group.

31. 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 4.72% (2008: 0.01% to 5.75%) 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:

| | 2009 | 2008 |
|------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| USD | <u>28,179</u> | <u>15,309</u> |
| Euro | <u>338</u> | <u>11,805</u> |

32. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$10,434,000 (2008: HK\$23,704,000). The aged analysis of trade payables at the balance sheet date is as follows:

| | 2009 | 2008 |
|--------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 - 60 days | 10,419 | 23,687 |
| 61 - 90 days | 11 | 12 |
| Over 90 days | <u>4</u> | <u>5</u> |
| | <u>10,434</u> | <u>23,704</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:

| | 2009 | 2008 |
|-----|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| USD | <u>192</u> | <u>529</u> |

33. BILLS PAYABLE

At the balance sheet date, the bills payable are aged within 30 days (2008: 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:

| | 2009 <i>HK\$'000</i> | 2008 <i>HK\$'000</i> |
|-----|--------------------------------|--------------------------------|
| USD | <u>—</u> | <u>1,444</u> |

34. SHARE CAPITAL

| | Nominal value per share <i>HK\$</i> | Number of shares | Amount <i>HK\$'000</i> |
|-----------------------------------------------------|-------------------------------------------------------|-----------------------------|----------------------------------|
| Authorised: | | | |
| At 1 April 2007, 31 March 2008 and 31 March 2009 | 0.01 | <u>100,000,000,000</u> | <u>1,000,000</u> |
| Issued and fully paid: | | | |
| At 1 April 2007, 31 March 2008 and 31 March 2009 | 0.01 | <u>794,204,028</u> | <u>7,942</u> |

35. 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.

There was no share option outstanding at 31 March 2009 and 2008 or at any time during both years.

36. DEFERRED TAXATION

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

| | Accelerated tax depreciation | Investment properties | Tax losses | Total |
|--------------------------------------------------|-----------------------------------------|----------------------------------|------------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 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> |
| At 31 March 2008 and 1 April 2008 | 256 | 37,092 | (15,505) | 21,843 |
| Effect of change in tax rate | (15) | (2,120) | 886 | (1,249) |
| Charge (credit) to consolidated income statement | <u>5</u> | <u>(1,023)</u> | <u>(4,890)</u> | <u>(5,908)</u> |
| At 31 March 2009 | <u><u>246</u></u> | <u><u>33,949</u></u> | <u><u>(19,509)</u></u> | <u><u>14,686</u></u> |

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

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At 31 March 2009, the Group has unused tax losses of HK\$211,431,000 (2008: HK\$189,905,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$118,239,000 (2008: HK\$88,598,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$93,192,000 (2008: HK\$101,307,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except the losses of HK\$54,877,000 (2008: HK\$52,453,000) which will expire as follows:

| | 2009 | 2008 |
|-----------------------|-----------------|-----------------|
| | <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 | 7,300 |
| 2029 | 2,424 | — |
| | <u>54,877</u> | <u>52,453</u> |

37. 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:

| | 2009 | 2008 |
|-----------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Investment properties | <u>48,900</u> | <u>138,500</u> |

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

| | 2009 | 2008 |
|----------------------------------------------------------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Minimum lease payments recognised in the consolidated income statement during the year | <u>2,364</u> | <u>2,147</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:

| | 2009 | 2008 |
|---------------------------------------|---------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within one year | 2,085 | 918 |
| In the second to fifth year inclusive | <u>260</u> | <u>676</u> |
| | <u><u>2,345</u></u> | <u><u>1,594</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 one 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

| | 2009 | 2008 |
|-----------------------------------------------|----------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Property rental income earned during the year | 28,166 | 27,164 |
| Less: Outgoings | <u>(839)</u> | <u>(881)</u> |
| Net rental income | <u><u>27,327</u></u> | <u><u>26,283</u></u> |

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

| | 2009 | 2008 |
|---------------------------------------|----------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within one year | 22,624 | 23,202 |
| In the second to fifth year inclusive | <u>12,344</u> | <u>9,595</u> |
| | <u><u>34,968</u></u> | <u><u>32,797</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.

39. 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 2009 amounted to HK\$754,000 (2008: HK\$776,000).

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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2009 and 2008 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 |
|----------------------------------------|-----------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------------------------------------|------------|----------|------------|----------------------|
| | | | 2009 | | 2008 | | |
| | | | Directly | Indirectly | Directly | Indirectly | |
| Easyknit BVI Limited | British Virgin Islands/ Hong Kong | Ordinary US\$100 | 100% | — | 100% | — | Investment holding |
| Easyknit Global Company 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 | Hong Kong | Ordinary HK\$2 | — | 100% | — | 100% | Trading of garments |
| Golden Top Properties Limited | Hong Kong | Ordinary HK\$2 | — | 100% | — | 100% | Property holding |
| 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 |
| Janson Properties Limited | Hong Kong | Ordinary HK\$2 | — | 100% | — | 100% | Property holding |

| Name of subsidiary | Place of incorporation/ establishment and operation | Nominal value of issued share/ registered capital | Proportion of nominal value of issued share capital/registered capital held by the Company | | | | Principal activities |
|----------------------------------|-----------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------|-----------------|-------------------|---------------------------------|
| | | | 2009 | | 2008 | | |
| | | | <i>Directly</i> | <i>Indirectly</i> | <i>Directly</i> | <i>Indirectly</i> | |
| 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 and investment holding |
| Mary Mac Apparel Inc. | USA | Common stock US\$7,738,667 | — | 100% | — | 100% | Garment distribution |
| Planetic International Limited | Hong Kong | Ordinary HK\$2 | — | 100% | — | 100% | Finance company |
| Trump Elegant Investment Limited | Hong Kong | Ordinary HK\$1 | — | 100% | — | — | Property development |
| Wellmake Investments Limited | Hong Kong | Ordinary HK\$9,998 (Non-voting deferred HK\$2)* | — | 100% | — | 100% | Property holding |

* 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 2009.

41. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 March 2009:

- (a) As announced by the Company on 24 June 2009, the Group disposed of certain equity securities listed in Hong Kong classified as investments held for trading, with a carrying value of HK\$22,111,000 at 31 March 2009 for a cash consideration of HK\$26,094,900 before expenses.
- (b) As announced by the Company on 3 July 2009, the Group entered into a sale and purchase agreement with an independent third party to purchase the remaining one unit of the Prince Edward Road Building referred to in note 19 at a consideration of HK\$9,500,000.
- (c) As announced by the Company on 15 July 2009, a wholly-owned subsidiary of the Company received and accepted an offer from the Urban Renewal Authority to purchase the Group's investment property located at No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK\$47,113,000 plus an allowance of HK\$4,711,000. The carrying value of the investment property as at 31 March 2009 was HK\$48,900,000. This proposed disposal of a property will be subject to shareholders' approval at a special general meeting.

- (d) As announced by the Company on 17 July 2009, the Group entered into a sale and purchase agreement with a vendor to acquire the entire issued share capital of Kingbest Capital Holdings Limited (“Kingbest”) for a total consideration of HK\$2,440,000. The Group also agreed to advance an interest-free loan to Kingbest up to an aggregate amount not exceeding HK\$7,410,000. Kingbest is a limited liability company incorporated in the British Virgin Islands and is the purchaser under various property purchase agreements. The acquisition of Kingbest will enable the Group to acquire all units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2928 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong).

In addition, the vendor granted to the Group an option to require the vendor to purchase from the Group the entire issued share capital of Kingbest if completion of any units does not take place or if in the sole opinion of the Group, the title of the units is defective, or vacant possession of the units is not obtained on the specified dates, at a consideration equivalent to the aggregate of HK\$2,440,000 and total sum paid by Kingbest and the Group. The option may be exercised by the Group by notice in writing to the vendor any time on or before 31 October 2009. This proposed acquisition will be subject to shareholders’ approval at a special general meeting.

Other details of the above proposed acquisition are set out in the announcement of the Company dated 17 July 2009.

7 August 2009

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

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Kingbest Capital Holdings Limited (“Kingbest”) for the period from 8 April 2009 (date of incorporation of Kingbest) to 31 July 2009 (the “Relevant Period”), for inclusion in the circular of Easyknit International Holdings Limited (the “Company”) dated 7 August 2009 in connection with the Company’s proposed acquisition of the entire issued share capital of Kingbest (the “Circular”).

Kingbest is principally engaged in property investment and was incorporated in British Virgin Islands on 8 April 2009 with limited liability.

We have acted as auditors of Kingbest for the Relevant Period. The financial statements of Kingbest 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 Kingbest is responsible for preparing the audited financial statements of Kingbest. The Financial Information is based on the audited financial statements of Kingbest. No adjustments to the audited financial statements of Kingbest 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 Kingbest 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 profit/loss and cash flows of Kingbest for the period from 8 April 2009 (date of incorporation) to 31 July 2009 and of the assets and liabilities of Kingbest at 31 July 2009.

I. FINANCIAL INFORMATION

Statement of comprehensive income

| | <i>Notes</i> | 8.4.2009 to 31.7.2009 HK\$'000 |
|-------------------------------------------|--------------|-----------------------------------------------|
| TURNOVER | 3 | — |
| COST OF SALES | | <u>—</u> |
| GROSS PROFIT | | — |
| DISTRIBUTION COSTS | | — |
| ADMINISTRATIVE EXPENSES | | — |
| OTHER OPERATING EXPENSES | | <u>—</u> |
| PROFIT FROM OPERATIONS | | — |
| FINANCE COSTS | | <u>—</u> |
| NET PROFIT FOR THE PERIOD | | — |
| OTHER COMPREHENSIVE INCOME | | <u>—</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u><u>—</u></u> |
| BASIC PROFIT PER SHARE | 6 | <u><u>—</u></u> |

Statement of financial position

| | <i>Notes</i> | 31.7.2009 <i>HK\$'000</i> |
|----------------------------------------------------|--------------|-------------------------------------|
| CURRENT ASSET | | |
| Deposits paid for acquisition of properties | 9 | 8,610 ----- |
| CURRENT LIABILITIES | | |
| Amount due to the sole shareholder | 7 | 1,200 |
| Amount due to Easyknit Properties Holdings Limited | 10 | 7,410 ----- |
| | | 8,610 ----- |
| NET CURRENT ASSETS | | |
| | | — ===== |
| SHARE CAPITAL | | |
| | 8 | — |
| RETAINED PROFITS | | |
| | | — ----- |
| CAPITAL AND RESERVES | | |
| | | — ===== |

Statement of changes in equity

| | 8.4.2009 to 31.7.2009 | | |
|-------------------------------------------|----------------------------------------|-----------------|-----------------|
| | Share capital | Retained | Total |
| | <i>HK\$'000</i> | <i>profits</i> | <i>HK\$'000</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Issue of one ordinary share at US\$1 | — | — | — |
| Total comprehensive income for the period | — ----- | — ----- | — ----- |
| Balance at 31 July 2009 | — ===== | — ===== | — ===== |

Statement of cash flows

8.4.2009 to
31.7.2009
HK\$'000

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|------------------------------------------------------|----------------|
| Profit from operation | — |
| Adjustments | — |
| | <u>—</u> |
| Operating profit before movements in working capital | — |
| Deposits paid for acquisition of properties | (8,610) |
| Amount due to Easyknit Properties Holdings Limited | <u>7,410</u> |
| | |
| Cash used in operations | (1,200) |
| Income tax paid | <u>—</u> |
| | |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(1,200)</u> |

FINANCING ACTIVITIES

| | |
|-----------------------------------------|--------------|
| Proceeds on issue of one ordinary share | — |
| Advance from the sole shareholder | <u>1,200</u> |
| | |
| NET CASH FROM FINANCING ACTIVITIES | <u>1,200</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

Bank balances and cash

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

Kingbest Capital Holdings Limited is a company incorporated in British Virgin Islands with limited liability. The company's registered office is located at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. 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

Kingbest did not have any turnover during the Relevant Period.

4 DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) Directors' remuneration

No remuneration was paid to Kingbest'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.

5 TAXATION

No provision for taxation has been made as Kingbest had no revenue for the Relevant Period.

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

6 PROFIT PER SHARE

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

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

7 AMOUNT DUE TO THE SOLE SHAREHOLDER

The amount due is unsecured and interest-free.

8 SHARE CAPITAL

31.7.2009
HK\$'000

Authorised:

| | |
|--------------------------------------|------------|
| 50,000 ordinary shares of US\$1 each | <u>390</u> |
|--------------------------------------|------------|

Issued and fully paid:

| | |
|--------------------------------|----------|
| 1 ordinary share of US\$1 each | <u>—</u> |
|--------------------------------|----------|

Kingbest was incorporated on 8 April 2009 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. At the time of incorporation, one ordinary share of US\$1 was issued at par to the founder member to provide the initial capital for Kingbest.

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

9 CAPITAL COMMITMENTS

Kingbest entered into 6 sale and purchase agreements (“Property Purchase Agreements”) with 6 different vendors for the acquisition of the following properties (the “Properties”) at a total consideration of HK\$63,850,000:

- Front Portion (No.311B Prince Edward Road West) of Ground Floor, Nos.311B and 311D Prince Edward Road West, Kowloon *
- Rear Portion (No.311D Prince Edward Road West) of Ground Floor, Nos.311B and 311D Prince Edward Road West, Kowloon
- Front Portion (No.311B Prince Edward Road West) of First Floor, Nos.311B and 311D Prince Edward Road West, Kowloon
- Rear Portion (No.311D Prince Edward Road West) of First Floor, Nos.311B and 311D Prince Edward Road West, Kowloon
- Front Portion (No.311B Prince Edward Road West) of Second Floor, Nos.311B and 311D Prince Edward Road West, Kowloon
- Rear Portion (No.311D Prince Edward Road West) of Second Floor, Nos.311B and 311D Prince Edward Road West, Kowloon

Up to 31 July 2009, Kingbest had paid a total deposit of HK\$8,610,000 to the vendors pursuant to the Property Purchase Agreements. Upon completion of all the Property Purchase Agreements, Kingbest will have to pay the remaining balance of the consideration in the sum of HK\$55,240,000 to the vendors.

* with tenancy agreement still in force at the time for completion of the Property Purchase Agreement.

10 AMOUNT DUE TO EASYKNIT PROPERTIES HOLDINGS LIMITED

Kingbest’s sole shareholder (the “Seller”) entered into an agreement with Easyknit Properties Holdings Limited (“Easyknit Properties”), a wholly owned subsidiary of Easyknit International Holdings Limited, to sell his entire share holding in Kingbest (the “Sale Share”) to Easyknit Properties at the consideration of HK\$2,440,000 (“Share Sale Agreement”).

Pursuant to the Share Sale Agreement, Easyknit Properties agreed to advance a loan not exceeding HK\$7,410,000 to Kingbest for paying the deposits and/or balance of the purchase price in respect of the Property Purchase Agreements. As at 31 July 2009, Easyknit Properties had advanced HK\$7,410,000 to Kingbest.

11 OPTION

Pursuant to the Share Sale Agreement, Easyknit Properties has the right to require the Seller to purchase back the Sale Share if completion of any of the Property Purchase Agreements does not take place for whatever reason or if in the sole opinion of Easyknit Properties, the title to the Properties is defective, or vacant possession of the Properties is not obtained on the specified dates, at a consideration equivalent to the aggregate of (i) HK\$2,440,000 and (ii) the total sum paid by Kingbest and/or Easyknit Properties and/or any of their respective associates under any of the Property Purchase Agreements after the completion date of the Share Sale Agreement. Easyknit Properties may exercise this right by notice in writing to the Seller any time on or before 31 October 2009.

12 RELATED PARTY TRANSACTIONS

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

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Kingbest have been prepared in respect of any period subsequent to 31 July 2009.

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

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information of the Group together with Kingbest (collectively referred to as the “Enlarged Group”) has been prepared to demonstrate the effect of the proposed acquisition of the Properties through the Acquisition.

The unaudited pro forma financial information of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects of the Acquisition as if the Acquisition together with the Property Purchase Agreements had taken place on 31 March 2009 in the case of the pro forma balance sheet of the Enlarged Group and on 1 April 2008 in the case of the pro forma income statement and cash flow statement of the Enlarged Group.

The preparation of the unaudited pro forma balance sheet of the Enlarged Group is based on (i) the audited consolidated balance sheet of the Group as at 31 March 2009 which has been extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2009 as set out in Appendix I to this circular; and (ii) the audited statement of financial position of Kingbest as at 31 July 2009 as extracted from the accountants’ report on Kingbest for the period from 8 April 2009 (date of incorporation) to 31 July 2009 as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition and the Property Purchase Agreements that are (i) directly attributable to the transactions; and (ii) factually supportable, as if the Acquisition and the Property Purchase Agreements have been completed on 31 March 2009.

The preparation of the unaudited pro forma income statement and cash flow statement of the Enlarged Group is based on (i) the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31 March 2009 which have been extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2009 as set out in Appendix I to this circular; and (ii) the audited statement of comprehensive income and audited statement of cash flows of Kingbest for the period from 8 April 2009 (date of incorporation) to 31 July 2009 as extracted from the accountants’ report on Kingbest as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition and the Property Purchase Agreements that are (i) directly attributable to the transactions; and (ii) factually supportable, as if the Acquisition and the Property Purchase Agreements have been completed on 1 April 2008.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. The accompanying Unaudited Pro Forma Financial Information does not purport to describe (i) 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 2009; and (ii) the actual results and cash flows of the Group that would have been attained had the Acquisition and the Property Purchase Agreements been completed on 1 April 2008. The Unaudited Pro Forma Financial Information does not purport to predict the future financial position, results and cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information 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 2009 and other financial information included elsewhere in this circular.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

Unaudited Pro Forma Balance Sheet of the Enlarged Group

| | The Group as at 31 March 2009 | Kingbest as at 31 July 2009 | 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 |
| Non-current assets | | | | | | |
| Property, plant and equipment | 15,489 | — | — | — | — | 15,489 |
| Properties held for development | 99,000 | — | — | — | — | 99,000 |
| Investment properties | 544,920 | — | — | — | — | 544,920 |
| Intangible asset | 921 | — | — | — | — | 921 |
| Interests in associates | 113,036 | — | — | — | — | 113,036 |
| Available-for-sale investments | 33,891 | — | — | — | — | 33,891 |
| | <u>807,257</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>807,257</u> |
| Current assets | | | | | | |
| Properties held for development | 181,204 | — | 2,440 | — | 66,344 | 249,988 |
| Investments held for trading | 93,420 | — | — | — | — | 93,420 |
| Inventories | 3,490 | — | — | — | — | 3,490 |
| Trade and other receivables | 44,060 | 8,610 | — | — | (8,610) | 44,060 |
| Loans receivable | 86,068 | — | — | — | — | 86,068 |
| Bills receivable | 39,180 | — | — | — | — | 39,180 |
| Tax recoverable | 31 | — | — | — | — | 31 |
| Structured deposit | 24,045 | — | — | — | — | 24,045 |
| Bank balances and cash | 165,147 | — | (3,640) | (7,410) | (57,734) | 96,363 |
| | <u>636,645</u> | <u>8,610</u> | <u>(1,200)</u> | <u>(7,410)</u> | <u>—</u> | <u>636,645</u> |
| Current liabilities | | | | | | |
| Trade and other payables | 28,692 | — | — | — | — | 28,692 |
| Bills payable | 9,683 | — | — | — | — | 9,683 |
| Amount due to the sole shareholder of Kingbest | — | 1,200 | (1,200) | — | — | — |
| Amount due to Easyknit Properties Holdings Limited | — | 7,410 | — | (7,410) | — | — |
| Tax payable | 25,657 | — | — | — | — | 25,657 |
| | <u>64,032</u> | <u>8,610</u> | <u>(1,200)</u> | <u>(7,410)</u> | <u>—</u> | <u>64,032</u> |
| Net current assets | <u>572,613</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>572,613</u> |
| | <u>1,379,870</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,379,870</u> |
| Capital and reserves | | | | | | |
| Share capital | 7,942 | — | — | — | — | 7,942 |
| Reserves | 1,357,242 | — | — | — | — | 1,357,242 |
| | <u>1,365,184</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,365,184</u> |
| Non-current liabilities | | | | | | |
| Deferred taxation | 14,686 | — | — | — | — | 14,686 |
| Net assets | <u>1,379,870</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,379,870</u> |

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

Unaudited Pro Forma Income Statement of the Enlarged Group

| | The Group for the year ended 31 March 2009 | Kingbest for the period from 8 April 2009 (date of incorporation) to 31 July 2009 | Pro forma adjustments | Pro forma total for the Enlarged Group |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Audited)</i> | <i>(Audited)</i> | <i>(Note e)</i> | |
| Turnover | 458,068 | — | — | 458,068 |
| Cost of sales | <u>(373,912)</u> | <u>—</u> | <u>—</u> | <u>(373,912)</u> |
| Gross profit | 84,156 | — | — | 84,156 |
| Other income | 18,025 | — | — | 18,025 |
| Distribution and selling expenses | (9,805) | — | — | (9,805) |
| Administrative expenses | (49,288) | — | — | (49,288) |
| Loss gain arising on change in fair value of investment properties | (21,760) | — | — | (21,760) |
| Impairment loss on available-for-sale investments | (32,162) | — | — | (32,162) |
| Impairment loss on properties held for development | (25,632) | — | — | (25,632) |
| Gain on fair value change of structured deposit | 795 | — | — | 795 |
| Loss on fair value changes of investments held for trading | (60,408) | — | — | (60,408) |
| Gain on disposal of available-for-sale investments | 3,803 | — | — | 3,803 |
| Gain on partial disposal of interests in associates | 1,021 | — | — | 1,021 |
| Share of results of associates | (15,044) | — | — | (15,044) |
| Finance costs - interest on bank borrowings wholly repayable within five years | <u>(91)</u> | <u>—</u> | <u>—</u> | <u>(91)</u> |
| Loss before taxation | (106,390) | — | — | (106,390) |
| Taxation credit | <u>5,006</u> | <u>—</u> | <u>—</u> | <u>5,006</u> |
| Loss for the year attributable to equity holders of the Company | <u><u>(101,384)</u></u> | <u><u>—</u></u> | <u><u>—</u></u> | <u><u>(101,384)</u></u> |

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

Unaudited Pro Forma Cash Flow Statement of the Enlarged Group

| | The Group for the year ended 31 March 2009 <i>HK\$'000</i> <i>(Audited)</i> | Kingbest for the period from 8 April 2009 (date of incorporation) to 31 July 2009 <i>HK\$'000</i> <i>(Audited)</i> | Pro forma adjustments | | | Pro forma total for the Enlarged Group <i>HK\$'000</i> |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------------------------------------------------------------|
| | | | <i>HK\$'000</i> <i>(Note a)</i> | <i>HK\$'000</i> <i>(Note b)</i> | <i>HK\$'000</i> <i>(Note c)</i> | |
| Cash flows from operating activities | | | | | | |
| Loss before taxation | (106,390) | — | — | — | — | (106,390) |
| Adjustments for: | | | | | | |
| Share of results of associates | 15,044 | — | — | — | — | 15,044 |
| Interest income | (11,211) | — | — | — | — | (11,211) |
| Interest expense | 91 | — | — | — | — | 91 |
| Depreciation of property, plant and equipment | 1,086 | — | — | — | — | 1,086 |
| Amortisation of land portion of properties held for development | 899 | — | — | — | — | 899 |
| Impairment loss on available-for-sale investments | 32,162 | — | — | — | — | 32,162 |
| Impairment loss on properties held for development | 25,632 | — | — | — | — | 25,632 |
| Gain on disposal of available-for-sale investments | (3,803) | — | — | — | — | (3,803) |
| Dividend income from listed investments | (5,591) | — | — | — | — | (5,591) |
| Loss on fair value changes of investments held for trading | 60,408 | — | — | — | — | 60,408 |
| Loss arising on changes in fair value of investment properties | 21,760 | — | — | — | — | 21,760 |
| Gain on partial disposal of interests in associates | (1,021) | — | — | — | — | (1,021) |
| Gain on fair value change of structured deposit | (795) | — | — | — | — | (795) |
| Operating profit before movements in working capital | 28,271 | — | — | — | — | 28,271 |

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

| | The Group for the year ended 31 March 2009 <i>HK\$'000</i> <i>(Audited)</i> | Kingbest for the period from 8 April 2009 (date of incorporation) to 31 July 2009 <i>HK\$'000</i> <i>(Audited)</i> | Pro forma adjustments | | | Pro forma total for the Enlarged Group <i>HK\$'000</i> |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------------------------------------------------------------|
| | | | <i>HK\$'000</i> <i>(Note a)</i> | <i>HK\$'000</i> <i>(Note b)</i> | <i>HK\$'000</i> <i>(Note c)</i> | |
| Increase in properties held for development | (128,148) | — | (2,440) | — | (66,344) | (196,932) |
| Decrease in properties held for sale | 1,822 | — | — | — | — | 1,822 |
| Increase in investments held for trading | (14,795) | — | — | — | — | (14,795) |
| Increase in inventories | (548) | — | — | — | — | (548) |
| Decrease in loans receivable | 48,015 | — | — | — | — | 48,015 |
| Increase in trade and other receivables | (11,917) | (8,610) | — | — | 8,610 | (11,917) |
| Increase in bills receivable | (8,354) | — | — | — | — | (8,354) |
| Decrease in trade and other payables | (11,790) | — | — | — | — | (11,790) |
| Increase in bills payable | 6,117 | — | — | — | — | 6,117 |
| Increase in amount due to Easyknit Properties Holdings Limited | — | 7,410 | — | (7,410) | — | — |
| Cash used in operations | (91,327) | (1,200) | (2,440) | (7,410) | (57,734) | (160,111) |
| Hong Kong Profits Tax paid | (135) | — | — | — | — | (135) |
| Loan interest received | 7,658 | — | — | — | — | 7,658 |
| Dividend received from investments held for trading | 2,663 | — | — | — | — | 2,663 |
| Net cash used in operating activities | <u>(81,141)</u> | <u>(1,200)</u> | <u>(2,440)</u> | <u>(7,410)</u> | <u>(57,734)</u> | <u>(149,925)</u> |
| Cash flows from investing activities | | | | | | |
| Proceeds from disposal of available-for-sale investments | 13,536 | — | — | — | — | 13,536 |
| Bank interest received | 3,553 | — | — | — | — | 3,553 |
| Dividend received from available-for-sale investments | 2,928 | — | — | — | — | 2,928 |
| Capital contribution to associates | (31,523) | — | — | — | — | (31,523) |
| Purchase of structured deposit | (23,250) | — | — | — | — | (23,250) |

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

| | The Group for the year ended 31 March 2009 | Kingbest for the period from 8 April 2009 (date of incorporation) to 31 July 2009 | Pro forma adjustments | | | Pro forma total for the Enlarged Group |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------|------------------------|-----------------------------------------------------------|
| | | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | <i>(Audited)</i> | <i>(Audited)</i> | <i>(Note a)</i> | <i>(Note b)</i> | <i>(Note c)</i> | <i>HK\$'000</i> |
| Purchase of property, plant and equipment | (147) | — | — | — | — | (147) |
| Advance from the sole shareholder of Kingbest | — | 1,200 | (1,200) | — | — | — |
| Net cash used in investing activities | <u>(34,903)</u> | <u>1,200</u> | <u>(1,200)</u> | <u>—</u> | <u>—</u> | <u>(34,903)</u> |
| Cash used in financing activities | | | | | | |
| Interest paid | <u>(91)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(91)</u> |
| Net decrease in cash and cash equivalents | (116,135) | — | (3,640) | (7,410) | (57,734) | (184,919) |
| Cash and cash equivalents at beginning of the year | 281,315 | — | — | — | — | 281,315 |
| Effect of foreign exchange rate changes | <u>(33)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(33)</u> |
| Cash and cash equivalents at end of the year, represented by bank balances and cash | <u><u>165,147</u></u> | <u><u>—</u></u> | <u><u>(3,640)</u></u> | <u><u>(7,410)</u></u> | <u><u>(57,734)</u></u> | <u><u>96,363</u></u> |

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

- (a) The adjustment represents the payment of the consideration of HK\$2,440,000 for the acquisition of the entire issued share capital of Kingbest and the assignment of the payable to the sole shareholder of Kingbest outstanding as at 31 July 2009 amounting to approximately HK\$1,200,000 by way of cash settlement in total of approximately HK\$3,640,000.
- (b) The adjustment represents the elimination of advance amounting to HK\$7,410,000 made by Easyknit Properties to Kingbest in accordance with the Agreement. The advance was made by the Group to Kingbest on 16 July 2009. Hence, it was adjusted to bank balances and cash.

This advance was used for paying the deposits for the acquisition of the Properties by Kingbest during the period between 8 April 2009 (date of incorporation of Kingbest) and 31 July 2009.

- (c) The adjustment represents the reclassification of deposits paid for acquisition of the Properties amounting to HK\$8,610,000 to properties held for development and the balance payment for the acquisition of the Properties amounting to HK\$55,240,000, and the payment of expenditures directly related to the Acquisition, including stamp duty and professional fees of approximately HK\$2,494,000, prior to and upon completion of the Property Purchase Agreements.
- (d) If Easyknit Properties is to exercise the Option, further pro forma adjustments have to be put through to reverse all the adjustments as set out in notes (a) to (c) above and to deconsolidate all the assets and liabilities of Kingbest being acquired as set out in the unaudited pro forma balance sheet of the Enlarged Group. The unaudited pro forma financial information of the Enlarged Group after taking into account of these further adjustments will be the same as those of the Group before the Acquisition.
- (e) There is no pro forma adjustment on the unaudited pro forma income statement of the Enlarged Group.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION



TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Easyknit International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) together with Kingbest Capital Holdings Limited (collectively the “Enlarged Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how, among others, the proposed very substantial acquisition of the entire issued share capital of Kingbest Capital Holdings Limited (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 7 August 2009 in connection with the Proposed Transactions (the “Circular”). The basis of preparation of the unaudited pro forma financial information 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 financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “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 financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our 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 financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

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 financial information 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 financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information 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 Enlarged Group as at 31 March 2009 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 March 2009 or any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information 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; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

7 August 2009

1. INDEBTEDNESS

At the close of business on 30 June 2009, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Enlarged Group had a payable to the sole shareholder of Kingbest amounting to HK\$999,992 and had no outstanding borrowings. The available banking facilities of the Enlarged Group were guaranteed by the Company.

Apart from intra-group liabilities, the Enlarged Group did not have at the close of business on 30 June 2009 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.

2. 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 Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular in the absence of unforeseen circumstances.

3. FINANCIAL AND OPERATIONAL PROSPECTS OF THE ENLARGED GROUP

The acquisition of Kingbest and the Properties would enable the Group to generate more income from property development in the future. The Group intends to re-develop the Properties together with the adjacent properties situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong), which have already been acquired by the Group, when the market condition is favourable.

4. MATERIAL ADVERSE CHANGE

Save as referred to in the profit warning announcement of the Company dated 10 July 2009, the Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 31 March 2009, being the date to which the latest published audited accounts of the Group were made up.

5. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below are the “Management discussion and analysis” sections contained in the Company’s annual reports for the three years ended 31 March 2009.

For the year ended 31 March 2007

VOLUNTARY DELISTING FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

On 22 May 2006, the Company announced that the Board proposed to seek a voluntary delisting (the “Delisting”) of the Company from the Official List of The Singapore Exchange Securities Trading Limited (the “SGX-ST”) pursuant to Rule 1306 of the SGX-ST Listing Manual. A special resolution

approving the Delisting was passed at the special general meeting of the Company held on 31 July 2006. The shares of the Company were removed from the Official List of the SGX-ST at the close of trading on 18 August 2006 and were delisted on the SGX-ST on 28 August 2006. After the Delisting, the shares of the Company continue to be listed and traded on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

FINANCIAL RESULTS

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

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

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

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

BUSINESS REVIEW

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

Garment sourcing and exporting

During the year under review, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.8% to the Group’s total turnover, representing an increase of approximately 0.1% as compared to that of last year (2006: approximately 93.7%). Turnover from this segment increased by approximately 14.1% to approximately HK\$523,188,000 (2006: approximately HK\$458,666,000). This segment recorded a profit of approximately HK\$23,037,000, a turnaround as compared to last year (2006: loss of approximately HK\$20,235,000), largely due to the impairment loss on trade and other receivables of approximately HK\$33,315,000

recorded during the year ended 31 March 2006 but no such impairment loss was recorded during the year under review. The Group continued to alter its product mix to cater for the changes in customer needs. The product mix of infant wear and ladies wear changed from 38: 46 for the year ended 31 March 2006 to 33: 50 for the year under review.

Property investment and development

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

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

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

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

Geographical analysis of turnover

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

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

PROSPECTS

Garment sourcing and exporting

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

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

Property investment and development

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group continued to sustain a good liquidity position. As at 31 March 2007, the Group had net current assets of approximately HK\$465,554,000 (31 March 2006: approximately HK\$281,721,000) and cash and cash equivalents of approximately HK\$343,353,000 (31 March 2006: approximately HK\$174,580,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars. As at 31 March 2007, the current ratio of the Group was approximately 7.15 (31 March 2006: approximately 4.78), which was calculated on the basis of current assets of approximately HK\$541,207,000 (31 March 2006: approximately HK\$356,172,000) to current

liabilities of approximately HK\$75,653,000 (31 March 2006: approximately HK\$74,451,000). The current ratio improved significantly, primarily as a result of the Second Rights Issue (as defined in “Capital Structure” below) which had increased the bank balances and cash. During the year under review, the Group serviced its debts primarily through internally generated resources.

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

CAPITAL STRUCTURE

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CHARGES ON GROUP ASSETS

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

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

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

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

CONTINGENT LIABILITIES

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

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

SIGNIFICANT INVESTMENT

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

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

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

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

FUTURE PLAN FOR MATERIAL INVESTMENTS

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

EMPLOYMENT AND REMUNERATION POLICY

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

For the year ended 31 March 2008

FINANCIAL RESULTS

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%).

Profit attributable to shareholders was approximately HK\$64,336,000 as compared to loss attributable to shareholders of approximately HK\$115,597,000 last year. The turnaround was mainly attributable to the gain of approximately HK\$52,928,000 (2007: approximately HK\$7,370,000) arising on change in fair value of investment properties, reduction in loss on disposal of available-for-sale

investments of approximately HK\$7,594,000 (2007: approximately HK\$43,027,000) and substantial reduction in impairment loss on available-for-sale investments from approximately HK\$121,465,000 for the year ended 31 March 2007 to approximately HK\$33,163,000. Basic earnings per share was approximately HK\$0.081 (2007: basic loss per share of approximately HK\$0.260).

Cost of sales decreased by approximately 6.6% to approximately HK\$424,141,000 (2007: approximately HK\$454,276,000). The total operating expenses reduced by approximately 12.5% to approximately HK\$57,207,000 (2007: approximately HK\$65,394,000), reflecting an improvement in controlling the distribution and selling expenses and administrative expenses by the Group for the year under review.

Finance costs decreased by approximately 67.7% to approximately HK\$10,000 (2007: approximately HK\$31,000) as all bank borrowings were repaid during the year under review.

BUSINESS REVIEW

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, and property investment and development.

Garment sourcing and exporting

During the year under review, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.6% 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.

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 whole building which is held for re-development purposes.

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).

Geographical analysis of turnover

Approximately 83.6% (2007: approximately 84.1%) of the Group's total turnover was generated out of the United States of America (the "US") which is the Group's major export market, while Hong Kong, European and Mexican markets accounted for approximately 6.5%, 7.6% and 2.3% of the Group's total turnover respectively.

PROSPECTS

Garment sourcing and exporting

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

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.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2008, the Group financed its operations mainly by internally generated resources. As at 31 March 2008, the shareholders' fund of the Group was approximately HK\$1,469,529,000 (31 March 2007: approximately HK\$1,369,178,000). As the Group had no bank borrowings as at 31 March 2008 and 2007, gearing ratio of the Group is zero for two consecutive years.

The Group continued to sustain a good liquidity position. As at 31 March 2008, the Group had net current assets of approximately HK\$733,010,000 (31 March 2007: approximately HK\$465,554,000), and cash and cash equivalents of approximately HK\$281,315,000 (31 March 2007: approximately HK\$343,353,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars. As at 31 March 2008, the current ratio of the Group was approximately 11.8 (31 March 2007: approximately 7.2), which was calculated on the basis of current assets of approximately HK\$801,036,000 (31 March 2007: approximately HK\$541,207,000) to current liabilities of approximately HK\$68,026,000 (31 March 2007: approximately HK\$75,653,000). During the year under review, the Group serviced its debts through internally generated resources.

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

CAPITAL STRUCTURE

The Group has no debt securities or other capital instruments as at 31 March 2008 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

As announced by the Company on 31 October 2007, the Group planned to bid up to HK\$1,200,000,000, being the maximum price which the Company was willing to consider to pay, at a public auction held on 30 November 2007 for a property, Tai Sang Commercial Building at Nos.

24-34 Hennessy Road, Wan Chai, Hong Kong, by the order of the court on an “as-is” basis (the “Possible Acquisition”). Details of the Possible Acquisition was set out in the circular of the Company dated 15 November 2007. The Possible Acquisition was approved by the shareholders at the special general meeting held on 30 November 2007. However, the Company’s bid at the auction for the property was not successful and the Possible Acquisition did not proceed.

As jointly announced on 17 July 2007 by the Company and Easykmit Enterprises Holdings Limited (“Easykmit Enterprises”), an associate of the Group, Easykmit Enterprises, Race Merger, Inc., a wholly-owned subsidiary of Easykmit Enterprises, and Wits Basin Precious Minerals Inc. (“Wits Basin”) entered into a conditional agreement and a plan of merger and reorganisation (the “Merger Agreement”) which might involve a possible issue of approximately 3 billion shares by Easykmit Enterprises to the shareholders of Wits Basin which might lead to a dilution of the Company’s shareholding in Easykmit Enterprises from approximately 35.93% to approximately 19.40%. Wits Basin is a company incorporated in Minnesota, the United States of America (the “US”) whose principal business is the exploitation and development of minerals in Mexico, Colorado and South Africa.

The Company further announced on 20 August and 6 November 2007 jointly with Easykmit Enterprises that Wits Basin had sent a letter to Easykmit Enterprises purporting to terminate the Merger Agreement on the grounds cited as disclosed in the announcements. Easykmit Enterprises did not admit any allegations made by Wits Basin or that Wits Basin was entitled to terminate the Merger Agreement on the ground cited or on any other grounds. Easykmit Enterprises had taken legal advice in the US about the purported termination of the Merger Agreement and had instructed its lawyers in the US to claim from Wits Basin a break up fee of US\$30,000,000 (approximately HK\$234 million) under the termination clauses stated in the Merger Agreement.

On 19 December 2007, Easykmit Enterprises and Wits Basin entered into a settlement agreement and general release to terminate all written or oral agreements including the Merger Agreement entered into between the parties in relation to the aforementioned merger. As a result, the merger with Wits Basin ceased to proceed.

As announced by Easykmit Enterprises on 6 December 2007, Easykmit Enterprises proposed to raise approximately HK\$102.1 million before expenses by way of rights issue of 1,963,537,620 rights shares at a price of HK\$0.052 per rights share on the basis of one rights share for every two shares held. The Group had irrevocably undertaken to Easykmit Enterprises and the underwriter of the rights issue that, among other, the right shares allotted to the Group would be taken up in full. The subscription cost amounted to approximately HK\$36.7 million based on the Group’s then shareholding in Easykmit Enterprises. The Group did not apply for any excess rights shares. Thus 705,426,260 rights shares of Easykmit Enterprises were allotted to the Group on 21 January 2008.

Save as disclosed above, the Group had no material acquisitions or disposal of subsidiaries or associates during the year under review.

CHARGES ON GROUP ASSETS

As at 31 March 2008, certain investment properties of the Group with carrying amount of approximately HK\$138,500,000 (31 March 2007: certain investment properties of the Group with carrying amounts of approximately HK\$131,000,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the year ended 31 March 2008, the Group spent approximately HK\$206,000 (2007: approximately HK\$1,837,000) on acquisition of property, plant and equipment.

As at 31 March 2008, the Group had no capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2008, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$3,566,000 (31 March 2007: approximately HK\$4,648,000) were supported by the Company's corporate guarantees given to the bank.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2008.

SIGNIFICANT INVESTMENT

As at 31 March 2008, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$79,812,000 (31 March 2007: approximately HK\$84,830,000) and investments held for trading of approximately HK\$139,033,000 (31 March 2007: approximately HK\$41,566,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the year under review, the Group recorded loss on fair value changes of investments held for trading of approximately HK\$9,690,000 (2007: gain of approximately HK\$1,235,000), loss on disposal of available-for-sale investments of approximately HK\$7,594,000 (2007: approximately HK\$43,027,000) and impairment loss on available-for-sale investments of approximately HK\$33,163,000 (2007: approximately HK\$121,465,000).

On 27 September 2007, the Group acquired from the market an aggregate of 1,000,000 shares in Petrochina Company Limited ("Petrochina") at a total consideration of HK\$14,100,000 (exclusive of transaction costs). The entire 1,000,000 shares in Petrochina were then disposed on 9 November 2007 at a consideration of HK\$15,960,000 (exclusive of transaction costs). As a result, the Group has recognised a gain of approximately HK\$1,860,000 calculated on the basis of the difference between the acquisition price and the disposal price exclusive of transaction costs.

On 8 October 2007, the Group acquired from the market an aggregate of 212,000 Hong Kong Exchanges and Clearing Limited ("HKEX") shares at a total consideration of HK\$53,746,400 (exclusive of transaction costs). Together with the Group's existing shareholding in 228,000 HKEX shares which were acquired at an average price of HK\$57 per HKEX share in April and May 2006, the Group holds a total of 440,000 HKEX shares at an average acquisition price of HK\$152 per HKEX share. The Group also acquired an aggregate of 572,000 China Mobile Limited shares at a total consideration of HK\$67,514,700 (exclusive of transaction costs) during the period from 13 July 2007 to 8 October 2007.

Between 3 December 2007 and 21 January 2008, the Group acquired from the market an aggregate of 2,521,000 China Railway Group Limited (“China Railway”) shares at a total consideration of HK\$24,049,580 (exclusive of transaction costs). On 20 December 2007 and 11 January 2008, the Group disposed on the market of an aggregate of 1,421,000 China Railway shares at a total consideration of HK\$13,294,519 (exclusive of transaction costs). The Group recorded a gain of approximately HK\$804,000 from the disposals.

During the period from 7 January 2008 to 27 March 2008 the Group acquired on the Stock Exchange an aggregate of 17,880,000 Sino Union Petroleum & Chemical International Limited (“Sino Union Petro”) shares at a total consideration of HK\$24,081,300 (exclusive of transaction costs).

Further to the 17,880,000 Sino Union Petro shares acquired during the period from 7 January 2008 to 27 March 2008, the Group acquired on the Stock Exchange another 12,000,000 Sino Union Petro shares, at a total consideration of HK\$21,573,600 (exclusive of transaction costs) on 16 April 2008.

The Group disposed on the market of 1,600,000 and 607,000 China CITIC Bank Corporation Limited H shares on 11 June 2008 and 16 June 2008 respectively. As a result of the disposals, the Group has recognised a loss of approximately HK\$3,800,300 calculated on the basis of the difference between the acquisition price and the disposal price exclusive of transaction costs.

The Group disposed of 2,298,000 Industrial and Commercial Bank of China Limited H shares on the market on 18 June 2008. As a result of the disposal, the Group has recognised a gain of approximately HK\$4,362,020 calculated on the basis of the difference between the acquisition price and the disposal price exclusive of transaction costs.

Save as disclosed above, the Group did not have any significant investment held or any significant investment plans as at 31 March 2008 and up to the date of this report.

FUTURE PLAN FOR MATERIAL INVESTMENTS

On 24 June 2008, the Group entered into an agreement with the seller, Ng Kwai Tung, to acquire the entire issued capital of Trump Elegant Investment Limited (“Trump Elegant”) which is the proposed acquirer of 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 situated on Section B of Kowloon Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong). The acquisition will enable the Group to acquire 11 out of the 12 units in the building, which represents over 90% of the undivided shares of the building (as contemplated by section 3(1) of the Land (Compulsory Sale for Redevelopment) 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 Board considers market sentiment appropriate. The acquisition is anticipated to allow the Group to expand its property investment portfolio and provide the Group with further potential income from property development. The consideration for the sale share is HK\$8.3 million and under the agreement, the Group agreed to

advance a loan up to an aggregate amount not exceeding HK\$32 million to Trump Elegant. The acquisition is subject to, among others, the approval of the shareholders of the Company at a special general meeting to be held in August 2008. The Group will fund the acquisition from its internal resources.

While the directors of the Company are constantly looking for investment opportunities in order to maximise shareholders' value, no other concrete new investment projects have been identified save as disclosed above.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2008, the number of employees of the Group in Hong Kong and the US was about 60 and 11 respectively. Staff costs (including directors' emoluments) amounted to approximately HK\$29,198,000 for the year under review (2007: approximately HK\$30,546,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

For the year ended 31 March 2009

FINANCIAL RESULTS

For the year ended 31 March 2009, the Group recorded a turnover of approximately HK\$458,068,000 (2008: approximately HK\$521,339,000), representing a decrease of approximately 12.1% from last year. Gross profit decreased approximately 13.4% to approximately HK\$84,156,000 (2008: approximately HK\$97,198,000). Gross profit margin slightly decrease at approximately 18.4% (2008: approximately 18.6%).

Loss attributable to shareholders was approximately HK\$101,384,000 as compared to profit attributable to shareholders of approximately HK\$64,336,000 last year. Such loss was mainly attributable to (i) a decrease in sales of the garment sourcing and exporting business due to the slowdown in the economy of the United States, the major market of the Group; (ii) the loss arising on changes in fair value of investment properties of approximately HK\$21,760,000 and the impairment loss on property held for development of approximately HK\$25,632,000; (iii) the loss due to the fair value changes of investments held for trading of approximately HK\$60,408,000; and (iv) the increase in share of loss of associates. Basic loss per share was approximately HK\$0.128 (2008: basic earnings per share of approximately HK\$0.081).

Cost of sales decreased by approximately 11.8% to approximately HK\$373,912,000 (2008: approximately HK\$424,141,000). The total operating expenses slightly increased by approximately 3.3% to approximately HK\$59,093,000 (2008: approximately HK\$57,207,000).

Finance costs increased to approximately HK\$91,000 (2008: approximately HK\$10,000) during the year under review.

BUSINESS REVIEW

During the year ended 31 March 2009, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment and development.

Garment sourcing and exporting

During the year under review, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.3% to the Group's total turnover, representing a drop of approximately 0.3% as compared to that of last year (2008: approximately 93.6%). Turnover from this segment decreased by approximately 12.4% to approximately HK\$427,428,000 (2008: approximately HK\$487,806,000). This segment recorded a profit of approximately HK\$11,788,000, a decrease of approximately 51.2% from last year's profit of approximately HK\$24,133,000. The product mix of infant wear and ladies wear changed from 35 : 45 for the year ended 31 March 2008 to 37 : 43 for the year under review.

Property investment and development

For the year ended 31 March 2009, the property investment and development segments contributed approximately HK\$30,640,000 or 6.7% (2008: approximately HK\$33,533,000 or 6.4%) to the Group's total turnover. These segments suffered a loss of approximately HK\$20,792,000 (2008: profit of approximately HK\$79,575,000) principally due to loss arising on changes in fair value of investment properties of approximately HK\$21,760,000 (2008: gain of approximately HK\$52,928,000) and impairment loss made on properties held for development of approximately HK\$25,632,000 (2008: nil). Rental income from investment properties, which are all located in Hong Kong, increased slightly to approximately HK\$28,166,000 (2008: approximately HK\$27,164,000). As at 31 March 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 89.6%. The building management fee income was approximately HK\$286,000 (2008: approximately HK\$289,000).

The Group completed the acquisition of 11 out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) ("Prince Edward Road Building") in October 2008. The Group also entered into a sale and purchase agreement to purchase the remaining one unit of the Prince Edward Road Building on 30 June 2009 so as to be the owner of the whole building for re-development purpose. Details are set out in the sections headed "Material Acquisitions and Disposals" and "Subsequent Events" respectively. These acquisitions enable the Group to expand its property investment portfolio and provide the Group with further potential income from property development.

As at 31 March 2009, the Group's entire property portfolio stood over approximately HK\$825,124,000 (as at 31 March 2008: approximately HK\$747,089,000).

Geographical analysis of turnover

Approximately 83.0% (2008: approximately 83.6%) of the Group's total turnover was generated out of the United States of America (the "US") which is the Group's major export market, while Hong Kong, European and Mexican markets accounted for approximately 6.8%, 7.5% and 2.7% of the Group's total turnover respectively.

PROSPECTS**Garment sourcing and exporting**

The economic slowdown caused the garment industries in the US and Europe to shrink drastically. The Group anticipates that the garment sourcing and export industry will continue to face stern challenges as the business environment is still shadowed by various uncertainties.

Recognising the challenges ahead in the garment sourcing and export industry, the Group maintains a cautious yet hopeful view towards the future development of the industry. The Group will concentrate its efforts on maintaining good customer relationship with existing clients, sharpening its competitive edges, as well as exploring other possible overseas markets in the hope of broadening the Group's sales network for the Group in the coming year. More stringent cost-control measures and flexible pricing strategy will also be implemented to maximise profit for the Group.

Property investment and development

The local property market seemed to improve in the previous months. Looking ahead, the Group believes that the local property market will be undergoing a period of modulation and consolidation, and the directors of the Company hold a watchfully positive attitude towards the property market.

Although the demand for offices in Hong Kong has plunged after the global financial crisis, other industrial and commercial properties still secure support from users and investors as retailers fight for the limited space available in prime shopping areas. The Group is vigilantly observing market sentiment for the re-development of properties in its portfolio when suitable opportunities arise. The Group will also be on the lookout for properties with high re-development potential and seek rewarding investment opportunities to strive for the greatest return to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2009, the Group financed its operations mainly by internally generated resources. As at 31 March 2009, the shareholders' fund of the Group was approximately HK\$1,365,184,000 (31 March 2008: approximately HK\$1,469,529,000). As the Group had no bank borrowings as at 31 March 2009 and 2008, gearing ratio of the Group is zero for two consecutive years.

The Group continued to sustain a good liquidity position. As at 31 March 2009, the Group had net current assets of approximately HK\$572,613,000 (31 March 2008: approximately HK\$733,010,000), and cash and cash equivalents of approximately HK\$165,147,000 (31 March 2008: approximately HK\$281,315,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars. As at 31 March 2009, the current ratio of the Group was approximately 9.9 (31 March 2008: approximately 11.8), which was calculated on the basis of current assets of approximately HK\$636,645,000 (31 March 2008: approximately HK\$801,036,000) to current liabilities of approximately HK\$64,032,000 (31 March 2008: approximately HK\$68,026,000). During the year under review, the Group serviced its debts through internally generated resources.

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

CAPITAL STRUCTURE

The Group has no debt securities or other capital instruments as at 31 March 2009 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, the Group acquired the entire issued share capital of a Company called Trump Elegant Investment Limited ("Trump Elegant"). Through the acquisition of Trump Elegant, the Group acquired 11 out of 12 units in Prince Edward Road Building for an aggregate consideration of approximately HK\$117,231,000 (including direct costs). The acquisition of the 11 out of 12 units in Prince Edward Road Building constituted a major transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). It was approved by the shareholders of the Company at a special general meeting held on 25 August 2008. Details of this major transaction are set out in the Company's circular dated 8 August 2008.

As announced by the Company and Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), an associate of the Company, on 12 November 2008, Easyknit Enterprises proposed to raise approximately HK\$100 million before expenses by way of rights issue of 667,499,000 rights shares at a price of HK\$0.15 per rights share on the basis of ten rights shares for every share held. The Group had irrevocably undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among other, the rights shares allotted to the Group would be taken up in full. The subscription cost amounted to approximately HK\$31.7 million based on the Group's then shareholding in Easyknit Enterprises. The Group did not apply for any excess rights shares. The said undertaking to subscribe for the rights shares in Easyknit Enterprises was approved by the shareholders of the Company at the special general meeting held on 24 December 2008. Thus 211,627,870 rights shares of Easyknit Enterprises were allotted to the Group on 19 January 2009.

Save as disclosed above, the Group had no material acquisitions or disposal of subsidiaries or associates during the year under review.

CHARGES ON GROUP ASSETS

As at 31 March 2009, certain investment properties of the Group with carrying amount of approximately HK\$48,900,000 (31 March 2008: certain investment properties of the Group with carrying amounts of approximately HK\$138,500,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the year ended 31 March 2009, the Group spent approximately HK\$147,000 (2008: approximately HK\$206,000) on acquisition of property, plant and equipment.

As at 31 March 2009, the Group had no capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2009, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$9,683,000 (31 March 2008: approximately HK\$3,566,000) were supported by the Company's corporate guarantees given to the bank.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2009.

SIGNIFICANT INVESTMENT

As at 31 March 2009, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$33,891,000 (31 March 2008 approximately HK\$79,812,000) and investments held for trading of approximately HK\$93,420,000 (31 March 2008: approximately HK\$139,033,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the year under review, the Group recorded loss on fair value changes of investments held for trading of approximately HK\$60,408,000 (2008: loss of approximately HK\$9,690,000), gain on disposal of available-for-sale investments of approximately HK\$3,803,000 (2008: loss of approximately HK\$7,594,000) and impairment loss on available-for-sale investments of approximately HK\$32,162,000 (2008: loss of approximately HK\$33,163,000).

On 16 April 2008, the Group acquired on the Stock Exchange 12,000,000 shares of Sino Union Petroleum & Chemical International Limited ("Sinounion Petro") at a total consideration of HK\$21,573,600 (exclusive of transaction costs).

The Group disposed on the market of 1,600,000 and 607,000 China CITIC Bank Corporation Limited H shares on 11 June 2008 and 16 June 2008 respectively at the aggregate gross sale proceeds of HK\$10,892,720 (exclusive of transaction costs). On 18 June 2008, the Group disposed of 2,298,000 Industrial and Commercial Bank of China Limited ("ICBC") H shares on the market at the aggregate gross proceeds of HK\$12,706,880 (exclusive of transaction costs).

On 9 December 2008, the Group further disposed of 1,000,000 ICBC H shares on the market at the aggregate gross proceeds of HK\$4,310,000 (exclusive of transaction costs).

Save as disclosed above and the acquisition of Trump Elegant as mentioned in the section of “Material Acquisitions and Disposals”, the Group did not have any significant investment held or any significant investment plans as at 31 March 2009.

FUTURE PLAN FOR MATERIAL INVESTMENTS

While the directors of the Company are constantly looking for investment opportunities in order to maximise shareholders’ value, no other concrete new investment projects have been identified save as disclosed above.

SUBSEQUENT EVENTS

As announced by the Company on 24 June 2009, the Group disposed of its entire holdings of Sinounion Petro shares on the market comprising 11,100,000 shares on 16 June 2009, 4,250,000 shares on 22 June 2009 and 14,530,000 shares on 23 June 2009 respectively for the aggregate gross sale proceeds of HK\$26,094,900 (exclusive of transaction costs).

As announced by the Company on 3 July 2009, the Group entered into a sale and purchase agreement dated 30 June 2009 with an independent third party to acquire the remaining one unit being Flat 3 on the Ground Floor of the Prince Edward Road Building at a consideration of HK\$9,500,000. Upon completion of the acquisition, the Group will be the owner of the whole Prince Edward Road Building.

The Company has announced on 15 July 2009 that its wholly-owned subsidiary had received and accepted an offer from the Urban Renewal Authority to purchase the Group’s property located at No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK\$47,113,000 plus an allowance of HK\$4,711,000. As the said proposed disposal of property constitutes a major transaction of the Company under the Listing Rules, a special general meeting will be convened in due course to seek the shareholders’ approval.

The Company also announced on 17 July 2009 that Easyknit Properties, a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement dated 14 July 2009 to acquire the entire issued share capital of Kingbest Capital Holdings Limited (“Kingbest”) for a total consideration of HK\$2,440,000 in cash upon completion. Under the agreement, Easyknit Properties had also agreed to advance a loan to Kingbest up to an aggregate amount of HK\$7,410,000. The loan is personally guaranteed by the seller, Mr. Ng Kwai Tung. The acquisition of Kingbest will enable the Group to acquire all of the units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong). The building is adjacent to the Prince Edward Road Building which the Group had acquired from the same seller Mr. Ng Kwai Tung in June 2008. The directors intend that both buildings will be redeveloped together. This acquisition when aggregated with the acquisition of Prince Edward Road Building constitute a very substantial acquisition under the Listing Rules, a special general meeting of the Company will be convened in due course to seek the shareholders’ approval.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2009, the number of employees of the Group in Hong Kong and the US was about 60 and 10 respectively. Staff costs (including directors' emoluments) amounted to approximately HK\$27,910,000 for the year under review (2008: approximately HK\$29,198,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF KINGBEST

Kingbest was incorporated on 8 April 2009 under the laws of British Virgin Islands and has never carried on any business save for entering into the Property Purchase Agreements.

Based on the audited financial information of Kingbest, as at 31 July 2009, its net assets was HK\$7.8. The current assets was HK\$8.61 million which consisted of deposits paid under the Property Purchase Agreements. The current liabilities consisted of an amount due to the Seller of approximately HK\$1.2 million and an amount due to Easyknit Properties of HK\$7.41 million and its liabilities under the Property Purchase Agreements. Kingbest financed its operation mainly by loans from the Seller and Easyknit Properties. All loans are unsecured and interest free. Kingbest 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. Kingbest did not have any significant contingent liabilities as at 31 July 2009.

To the best knowledge of the Directors, Kingbest does not currently have any employees.

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

7. RECONCILIATION STATEMENT OF PROPERTIES HELD BY THE GROUP

Set out below is a statement of reconciliation between the values of properties held by the Group located at Nos. 1-3A Victory Avenue, Ho Man Tin, Kowloon (the “Properties”), as stated in (i) the property valuation in Appendix V to this circular (property 9) and (ii) the Company’s audited consolidated balance sheet as at 31 March 2009 set out in Appendix I to this circular. The statement below was prepared in accordance with Rule 5.07 of the Listing Rules.

| | <i>HK\$’000</i> |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Carrying value of the Properties as at 31 March 2009 (<i>note 1</i>) | 181,204 |
| Reconciliation: | |
| Adjustment of the value of the Properties per property valuation report as disclosed in Appendix V of this circular (<i>note 2</i>) | <u>48,796</u> |
| Value in accordance with the property valuation report in Appendix V of this circular | <u><u>230,000</u></u> |

Notes:

1. The carrying value of the Properties as at 31 March 2009 of approximately HK\$181.2 million as shown in note 19 of Appendix I of this circular comprises (i) cost of properties of approximately HK\$174.8 million and (ii) construction cost of approximately HK\$6.4 million.
2. The Properties were classified as properties held for development in the Company’s consolidated audited balance sheet as at 31 March 2009 which were not subjected to annual valuation. In accordance with the valuation report in Appendix V to this circular, the value of the Properties were HK\$230 million which showed a surplus of approximately HK\$48.8 million which was a result of the increase in market value of the properties in the past few years.
3. In respect of all other properties held by the Group, as at 31 March 2009, the aggregate carrying value of the properties was approximately HK\$643.9 million. As at 30 June 2009, being the date of the valuation report contained in Appendix V to this circular, the aggregate market value of the properties was approximately HK\$711.9 million.

*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 & Consulting Limited**, an independent valuer, in connection with their valuations of the properties as at 30 June 2009.*

VIGERS APPRAISAL & CONSULTING LIMITED

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



Date: 7 August 2009

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

Dear Sirs,

Re: Valuations of properties in Hong Kong

In accordance with your instructions for us to value the properties to be acquired and/or owned by Easyknit Properties Holdings Limited or its subsidiary (together referred to as “the Group”) as at 30 June 2009 (the “Valuation Date”), we confirm that we have carried out an inspection, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of its value.

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

Our valuations have been made on the assumption that the properties were sold in the market in its existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties.

In valuing the properties in Group I, Group III and Group IV which are held or intended to be held by the Group for development or future development, the direct comparison approach has been adopted with reference to comparable transactions in the market with due allowances for the differences between the comparables and the properties.

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

We have relied to a considerable extent on the information made available to us and have accepted advice on such matters as planning approvals, statutory notices, easements, tenure, lettings, development potential, site areas, floor areas, and all other relevant matters.

We have caused searches to be made at Land Registry. However, we have not searched the original documents to ascertain ownership or to verify any lease amendments, which might not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are therefore approximations.

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

We have not carried out any site surveys to determine the demarcation of the properties. In valuing the properties under developments and held for future developments, no test nor 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 artefacts, contaminations, 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 valuations for any charges, mortgages or amounts owing on the properties for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties were free from any encumbrances, restrictions and outgoings of an onerous nature which could serve to affect the value of the property.

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

In valuing the properties, we have complied with all the requirement as set out in Chapter 5, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

We enclose herewith the summary of values and the valuation certificates.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL & CONSULTING LIMITED
Gilbert K. M. YUEN
Registered Professional Surveyor
MRICS MHKIS
Executive Director

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

SUMMARY OF VALUES

Group I — Property to be acquired by the Group in Hong Kong

| Property | Capital Value in existing state as at 30 June 2009 |
|------------------------------------------------------------------------|-------------------------------------------------------------------|
| 1. Nos. 311B and 311D Prince Edward Road West Ho Man Tin Kowloon | HK\$70,000,000 |
| Sub-total | HK\$70,000,000 |

Group II — Properties held by the Group for investment in Hong Kong

| Property | Capital Value in existing state as at 30 June 2009 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| 2. Ground Floor of No. 50 Yun Ping Road Causeway Bay Hong Kong | HK\$83,000,000 |
| 3. Ground Floor Shop together with open yard at rear thereof, and the exterior walls of the said shop and yard No. 8 Yue Man Square Kwun Tong Kowloon | HK\$52,000,000 |
| 4. 2nd Floor of Nos. 790, 792 and 794 Cheung Sha Wan Road Cheung Sha Wan Kowloon | HK\$ 2,680,000 |

| Property | Capital Value in existing state as at 30 June 2009 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| 5. 6th Floor of Nos. 650-652 Castle Peak Road and No. 18A Wing Hong Street Cheung Sha Wan Kowloon | HK\$ 9,500,000 |
| 6. Commercial Units of Fa Yuen Plaza No. 19 Fa Yuen Street Mong Kok Kowloon | HK\$215,000,000 |
| 7. Easy Tower No. 609 Tai Nan West Street Cheung Sha Wan Kowloon | HK\$196,700,000 |
| 8. Units A and B on 7th Floor and Carparking Spaces Nos. L8 and L11 on 4th Floor Hong Kong Spinners Industrial Building Phase 6 No. 481 Castle Peak Road Cheung Sha Wan Kowloon | HK\$ 38,000,000 |
| Sub-total | HK\$596,880,000 |

Group III — Property held by the Group under development in Hong Kong

| Property | Capital Value in existing state as at 30 June 2009 |
|----------------------------------------------------------------------|-------------------------------------------------------------------|
| 9. Nos. 1 & 1A and 3 & 3A Victory Avenue Ho Man Tin Kowloon | HK\$230,000,000 |
| Sub-total | HK\$230,000,000 |

Group IV — Property held by the Group for future development in Hong Kong

| Property | Capital Value in existing state as at 30 June 2009 |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------|
| 10. Nos. 313, 313A, 313B, 313C Prince Edward Road West Ho Man Tin Kowloon | HK\$ 115,000,000 |
| Sub-total | HK\$ 115,000,000 |

| | |
|--------------------|--------------------------|
| Grand-total | HK\$1,011,880,000 |
|--------------------|--------------------------|

VALUATION CERTIFICATE

Group I — Property to be acquired by the Group in Hong Kong

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 Nos. 311B and 311D Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong | <p>The property comprises all the six units of a 3-storey residential building completed in 1954.</p> <p>The saleable area of each of the front units (No. 311B Prince Edward Road West) and rear unit (No. 311D Prince Edward Road) is approximately 118.08 sq.m. (1,271 sq.ft.) and 102.94 sq.m. (1,108 sq.ft.) respectively.</p> <p>The building is erected on a site with an area of 456.92 sq.m. (4,918.33 sq.ft.)</p> <p>The property is held under a Government Lease for a term of 75 years commencing from 6 October 1930 and renewed for a further term of 75 years.</p> <p>The Government rent payable is in total of HK\$28,458 per annum.</p> | <p>According to the information provided by the Group, Front Portion (No. 311B Prince Edward Road) of Ground Floor is subject to a tenancy for 1 year expiring on 14 December 2009 at a monthly rent of HK\$32,000. Others units are vacant. .</p> | <p>i. The existing use of the 6 units subject to the tenancy HK\$40,060,000</p> <p>ii. The site value of the 100% interest with vacant possession HK\$70,000,000</p> |

Notes:

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

| | | |
|------------------------------------------------------------------|---|-------------------------------------------------------|
| Front Portion (No. 311B Prince Edward Road West) of Ground Floor | — | Master Growth Investment Limited |
| Rear Portion (No. 311D Prince Edward Road West) of Ground Floor | — | Operation Dawn Limited |
| Front Portion (No. 311B Prince Edward Road West) of 1st Floor | — | Au Cheung Kong and Au Kit Ching (Tenants-in-common) |
| Rear Portion (No. 311D Prince Edward Road West) of 1st Floor | — | Friendly Bright Development Limited |
| Front Portion (No. 311B Prince Edward Road West) of 2nd Floor | — | Chu Tim |
| Rear Portion (No. 311D Prince Edward Road West) of 2nd Floor | — | Chan John Paul and Hui Enn-Ling Ellis (Joint Tenants) |

2. All the units are subject to three Deeds of Mutual Grants and Covenants registered vide Memorial No. UB228468, UB230000 and UB230002 dated 17 September 1954, 16 November 1954 and 16 November 1954 respectively.

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

| | | |
|------------------------------------------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Front Portion (No. 311B Prince Edward Road West) of Ground Floor | — | <ul style="list-style-type: none"> i. Order No. UBZ/U29-04/0006/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 07041100390189 dated 23 March 2006 ii. Order No. UBZ/U29-04/0011/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08040202070133 dated 23 March 2006 Remarks: Re: Roof & Common Areas |
| Rear Portion (No. 311D Prince Edward Road West) of Ground Floor | — | <ul style="list-style-type: none"> i. Order No. UBZ/U29-04/0011/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08040202070133 dated 23 March 2006 Remarks: Re: Roof & Common Areas ii. Notice No. WCBZ/S202890/04/K-R02 by the Building Authority under S.24C(1) of the Buildings Ordinance vide Memorial No. 08112001110031 dated 14 August 2008 |
| Front Portion (No. 311B Prince Edward Road West) of 1st Floor | — | <ul style="list-style-type: none"> i. Order No. UBZ/U29-04/0007/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08063000550442 dated 23 March 2006 ii. Order No. UBZ/U29-04/0011/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08040202070133 dated 23 March 2006 Remarks: Re: Roof & Common Areas |
| Rear Portion (No. 311D Prince Edward Road West) of 1st Floor | — | <ul style="list-style-type: none"> i. Order No. UBZ/U29-04/0024/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 07110201570408 dated 3 November 2006 Remarks: With clarification letter dated 24 September 2007 ii. Provisional Agreement For Sale And Purchase subject to conditions in favour of Kingbest Capital Holdings Limited vide Memorial No. 09071500400011dated 29 May 2009 (Deed pending registration) |
| Front Portion (No. 311B Prince Edward Road West) of 2nd Floor | — | Order No. UBZ/U29-04/0011/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08040202070133 dated 23 March 2006 Remarks: Re: Roof & Common Areas |

3. The Government Lease of Kowloon Inland Lot No. 2978 contains inter alia the following restrictions on the development of the lot:

“... will not erect on the said piece or parcel of grounds any buildings other than houses of European type and design of the exterior elevations and disposition whereof shall be subject to the special approval of the said Director and height of any such buildings exceed Thirty Five Feet except with the consent of the said Director And will not make any alternations or additions to the said buildings after the plans thereof have been approved except with the consent of the said Director 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/K7/20 dated 5 May 2009.

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. 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.

6. 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.

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

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| 2. Ground Floor of No. 50 Yun Ping Road, Causeway Bay, Hong Kong 1/6th shares of and in The Remaining Portion of Section 1 of Inland Lot No. 457 and Section C of Sub-section 3 of Section O of Inland Lot No. 29 | <p>The property comprises a shop unit on the ground floor of a 6-storey (including a basement) composite building completed in about 1955.</p> <p>The property has a saleable area of 84.08 sq.m. (905 sq.ft.) approximately</p> <p>The property is held under two Government Leases. The lease term of Inland Lot No 29 is 982 years from 25 June 1860, and for Inland Lot No. 457 is 999 years from 24 December 1865.</p> <p>The Government rents for the whole lots are totally HK\$9.99 per annum.</p> | According to the information provided by the Group, as at 30 June 2009, the property has been leased for a term of 3 years commencing from 10 March 2007 at a monthly rent of HK\$320,000 exclusive of rates and management fees with an option to renew for 3 years at market rent. | HK\$83,000,000 |

Notes:

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

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| 3. Ground Floor Shop together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kwun Tong Kowloon 2/16th shares of and in Kwun Tong Inland Lot No. 342 | <p>The property comprises a shop unit on the ground floor of an 8-storey (including a basement) composite building completed in about 1965.</p> <p>The property has a saleable area of 106.75 sq.m. (1,149 sq.ft.) plus yard of 9.29 sq.m. (100 sq.ft.) approximately</p> <p>The property is held under a Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to 3% for the time being of the rateable value of the property.</p> | <p>According to the information provided by the Group, as at 30 June 2009, the property has been leased for a term of 2 years commencing from 21 November 2008 at a monthly rent of HK\$172,700 exclusive of rates and management fees</p> | HK\$52,000,000 |

Notes:

1. The current registered owner of the property is Wellmake Investments Limited.
2. Pursuant to Kwun Tong (South) Outline Zoning Plan No. S/K15S/16 dated 15 July 2008, the property lies on an area zoned for "Urban Renewal Authority Development Scheme Plan Area".

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| 4. 2nd Floor of Nos. 790, 792 and 794 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon 1/7th shares of and in The Remaining Portion, Subsection C and Subsection D, of Sub-section 4 of Section B of New Kowloon Inland Lot No. 3516 | <p>The property comprises three industrial units on the 2nd Floor of three contiguous industrial buildings completed in about 1959.</p> <p>The property has a total saleable area of 276.94 sq.m. (2,981 sq.ft.) approximately</p> <p>The property is held from the Government under Conditions of Sale No. 4268 for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to 3% for the time being of the rateable value of the property.</p> | <p>According to the information provided by the Group, as at 30 June 2009, the property has been leased for a term of 3 years commencing from 16 April 2007 at a monthly rent of HK\$21,800 inclusive of rates and management fees with option to renew for two years at market rent.</p> | HK\$2,680,000 |

Notes:

1. The current registered owner of the property is Janson Properties Limited.
2. Pursuant to Cheung Sha Wan Outline Zoning Plan No. S/K5/31 dated 3 June 2008, the property lies on an area zoned for "Other Specified Uses (Business)".

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| 5. 6th Floor of Nos. 650-652 Castle Peak Road and No. 18A Wing Hong Street, Cheung Sha Wan, Kowloon 4/40th shares of and in Section B of New Kowloon Inland Lot No. 1750 | <p>The property comprises the whole of the 6th Floor of a 9-storey industrial building completed in about 1961.</p> <p>The property has a total saleable area of 799.70 sq.m. (8,608 sq.ft.) approximately</p> <p>The property is held under a Government Lease for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to 3% for the time being of the rateable value of the property.</p> | <p>According to the information provided by the Group, as at 30 June 2009, the property has been leased for a term of 3 years commencing from 16 August 2008 at a monthly rent of HK\$70,000 inclusive of rates and management fees.</p> | <p>HK\$9,500,000</p> |

Notes:

1. The current registered owner of the property is Golden Top Properties Limited.
2. Pursuant to Cheung Sha Wan Outline Zoning Plan No. S/K5/31 dated 3 June 2008, the property lies on an area zoned for "Other Specified Uses (Business)".

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 | | | | | | | | | | | | | | | | | | |
|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------|-----|--------|-------|--------------|-------|-----|-----|--------|------|-----|--------|-------|-------|----------|--------|--|--|
| 6. Commercial Units of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mongkok Kowloon | The property comprises all the commercial units on the Ground, 1st and 2nd Floors in a 16-storey residential building over a 3-storey commercial podium, which was completed in 2003. The property has gross areas as follows: | According to the information provided by the Group, as at 30 June 2009, all the units have been leased to various tenants, which are listed in Note 3 below with a total monthly rent receivable being HK\$966,800 exclusive of rates and management fees. | HK\$215,000,000 | | | | | | | | | | | | | | | | | | |
| 856/4655th shares of and in Kowloon Inland Lot No. 11123 | <table border="1"> <thead> <tr> <th>Floor</th> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>G/F</td> <td>400.97</td> <td>4,316</td> </tr> <tr> <td>Showcase G/F</td> <td>14.21</td> <td>153</td> </tr> <tr> <td>1/F</td> <td>437.66</td> <td>4711</td> </tr> <tr> <td>2/F</td> <td>405.43</td> <td>4,364</td> </tr> <tr> <td>Total</td> <td>1,258.27</td> <td>13,544</td> </tr> </tbody> </table> | Floor | sq.m. | sq.ft. | G/F | 400.97 | 4,316 | Showcase G/F | 14.21 | 153 | 1/F | 437.66 | 4711 | 2/F | 405.43 | 4,364 | Total | 1,258.27 | 13,544 | | |
| Floor | sq.m. | sq.ft. | | | | | | | | | | | | | | | | | | | |
| G/F | 400.97 | 4,316 | | | | | | | | | | | | | | | | | | | |
| Showcase G/F | 14.21 | 153 | | | | | | | | | | | | | | | | | | | |
| 1/F | 437.66 | 4711 | | | | | | | | | | | | | | | | | | | |
| 2/F | 405.43 | 4,364 | | | | | | | | | | | | | | | | | | | |
| Total | 1,258.27 | 13,544 | | | | | | | | | | | | | | | | | | | |
| | The property is held from the Government under Conditions of Exchange No. 12634 for a term of 50 years commencing from 8 October 2002. | | | | | | | | | | | | | | | | | | | | |
| | The annual Government rent is equivalent to 3% percent for the time being of the rateable value of the property. | | | | | | | | | | | | | | | | | | | | |

Notes:

- The current registered owner of the property is Mark Profit Development Limited.
- Pursuant to Mong Kok Outline Zoning Plan No. S/K3/25 dated 8 May 2009, the property lies on an area zoned for "Residential (Group A)".
- The commercial units of the property are subject to the leases as follows:

| Premises | Lease Term | Monthly Rent | Remarks |
|---------------------------------------|--------------------------------|--------------|----------------------------------------------------|
| Shop 1, G/F & 1/F and Showcase on G/F | 16 April 2009 to 15 April 2011 | HK\$350,000 | |
| Shop 2, G/F | 25 April 2009 to 24 April 2011 | HK\$262,000 | |
| Shop 3, G/F | 28 March 2007 to 27 March 2010 | HK\$184,800 | Option to renew for further 3 years at market rent |
| 2/F | 1 April 2009 to 31 March 2011 | HK\$170,000 | |

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| 7. Easy Tower, No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon New Kowloon Inland Lot No. 6238 | <p>The property comprises a 21-storey industrial/office building on a 6-storey car park podium erected on a site of area 568.66 sq.m. or thereabouts. The building was completed in 1998.</p> <p>The property has a total gross area of 6,917.32 sq.m. (74,458 sq.ft.) approximately plus 28 car parking spaces</p> <p>The property is held from the Government under Conditions of Exchange No. 12507 for a term of 50 years commencing from 15 December 1997.</p> <p>The annual Government rent is equivalent to 3% percent for the time being of the rateable value of the property.</p> | <p>According to the information provided by the Group, as at 30 June 2009, except five units with total gross area of 579.43 sq.m. (6,237 sq.ft.) was being vacant, other units have been leased to various tenants with the latest expiry on 31 July 2011. The total monthly rent receivable was HK\$726,893.2 exclusive of rates and management fees.</p> <p>The car parking spaces are subject to a lease for a term expiring on 30 June 2010 at a monthly rent of HK\$102,500 inclusive of rates.</p> | HK\$196,700,000 |

Notes:

1. The current registered owner of the property is Wellmake Investments Limited.
2. Pursuant to Cheung Sha Wan Outline Zoning Plan No. S/K5/31 dated 3 June 2008, the property lies on an area zoned for "Other Specified Uses (Business)".

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| 8. Units A and B on 7th Floor and Car Parking Spaces Nos. L8 and L11 on 4th Floor, Hong Kong Spinners Industrial Building, Phase 6, No. 481 Castle Peak Road, 772/11133rd shares of and in Section C of New Kowloon Inland Lot No. 3516 | <p>The property comprises the whole of the two workshop units on the 7th Floor and two lorry car parking spaces on the 4th Floor of a 12-storey (including a basement) industrial building. The building was completed in 1980.</p> <p>The property has a saleable area of 1,972.50 sq.m. (21,232 sq.ft.) approximately.</p> <p>The property is held from the Government under Conditions of Sale No. 4268 for a term expired on 30 June 1997 and has been extended until 30 June 2047 by the New Territories Leases (Extension) Ordinance.</p> <p>The annual Government rent is equivalent to 3% for the time being of the rateable value of the property.</p> | According to the information provided by the Group, as at 30 June 2009, except portion of Unit B (known as Unit B1) having a saleable area of about 399.48 sq.m. (4,300 sq.ft.) was vacant, other spaces have been leased to various tenants, which are listed in Note 3 below. Unit A and Portion of Unit B (known as B3) are leased to a related company. | HK\$38,000,000 |

Notes:

- The current registered owner of the property is Wellmake Investments Limited.
- Pursuant to Cheung Sha Wan Outline Zoning Plan No. S/K5/31 dated 3 June 2008, the property lies on an area zoned for "Other Specified Uses (Business)".
- The workshop units are subject to the following leases:

| Premises | Lease Term | Monthly Rent | Remarks |
|-------------------|--------------------------------------|--------------|------------------------------------------|
| Unit A | 1 April 2009 to 31 March 2010 | HK\$213,108 | Rent exclusive of rates, management fees |
| Unit B3 | 1 April 2009 to 31 March 2010 | HK\$38,400 | Rent exclusive of rates, management fees |
| Portion of Unit B | 16 November 2008 to 15 November 2010 | HK\$33,600 | Rent inclusive of rates, management fees |
| Unit B1 | Vacant | | |
| Total | | HK\$285,108 | |

Group III - Property held by the Group under development in Hong Kong

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------|
| 9. Nos. 1-3A Victory Avenue, Ho Man Tin, Kowloon New Kowloon Inland Lot Nos. 1343 and 1344 | <p>The property comprises a development land with a site area of 464.60 sq.m. (5,001 sq.ft.) or thereabouts.</p> <p>The development will comprise a 23-storey residential building on two commercial floors on the ground and first floors.</p> <p>A clubhouse is provided on the third floor with a gymnasium, games room and a sitting area.</p> <p>The anticipated completion of the development is in August 2011.</p> <p>According to the information provided by the Group, the approved gross floor area of the development is totally 3,935.993 sq.m. (42,367 sq.ft.).</p> <p>The property is held under Government Leases for a same term of 75 years commencing from 1 December 1913 and renewed for further 75 years.</p> <p>The annual Government rent is equivalent to 3% percent for the time being of the rateable value of the property.</p> | As at 30 June 2009, the property has been undergoing the foundation work. | HK\$230,000,000 |

Notes:

- The current registered owner of the property is Happy Light Investments Limited.
- Pursuant to Ho Man Tin Outline Zoning Plan No. S/K7/20 dated 5 May 2009, the property lies on an area zoned for "Residential (Group A)"
- The total construction cost expended on the property as at 30 June 2009 was in the sum of HK\$6,400,000 (excluding interest capitalized) which has been reflected in the capital value in its existing state. The estimated further construction cost required for completion of the development is in the sum of HK\$61,600,000.
- The estimated capital value of the development when completed as at 30 June 2009 was in the sum of HK\$358,500,000.

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

| Property | Description and Tenure | Particulars of Occupancy | Capital value in Existing state as at 30 June 2009 |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------|
| 10. Nos. 313, 313A, 313B, 313C Prince Edward Road West, Ho Man Tin, Kowloon, | The property comprises a development land with a site area of 702.42 sq.m. (7,560.8 sq.ft.) or thereabouts, which is currently erected with a 3-storey building completed in 1956 with a total of 12 units. | The occupation and leasing status of the property as at 30 June 2009 is listed in Note 4 below. | HK\$115,000,000 |
| Section B of Kowloon Inland Lot No. 1685 | 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. The Government rent is HK\$59,940 per annum. | | |

Notes:

- The current registered owner of all the units of the existing building except Flat 3 on Ground Floor is Trump Elegant Investment Limited, whilst the current registered owner of Flat 3 on Ground Floor is Yip Keung, which is subject to an Agreement for Sale and Purchase dated 30 June 2009 (entered by Ip Wai Hung, the Executor of the Will of Yip Keung (deceased) as Vendor) in favour of Trump Elegant Investment Limited for HK\$9,500,000. The completion date shall be agreed between both party not later than 30 days after the grant of probate of the Will of ip Keung (deceased) by the Probate Registry of High Court (HCAG009418/04) and in any event not later than 5 months from 22 June 2009.
- 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...”
- The property is zoned “Residential (Group B)” on the Ho Man Tin Outline Zoning Plan No. S/K7/20 dated 5 May 2009.

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.

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

| Premises | Lease Expiry | Monthly Rent | Remarks |
|------------------------|----------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Flat 1 on Ground Floor | Vacant | | |
| Flat 2 on Ground Floor | 14 July 2009 | HK\$38,000 inclusive of rates and management fees | |
| Flat 3 on Ground Floor | Vacant | | The vendor will deliver vacant possession upon completion of sale. |
| Flat 4 on Ground Floor | 19 August 2010 | HK\$26,400 inclusive of rates and management fees | The lease can be terminated by the landlord upon serving a 6 months' notice |
| Flat 1 on 1st Floor | Vacant | | |
| Flat 2 on 1st Floor | Vacant | | |
| Flat 3 on 1st Floor | Vacant | | |
| 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 | | |

5. We have valued the 100% interest in the property notwithstanding that the completion of the sale of the Flat 3 on Ground Floor has not been executed. Our valuation has not allowed the balance of purchase price payable upon the completion of sale of this unit.
6. 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.
7. 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 Company. The Directors collectively and individually accept full responsibility for the accuracy of the information and statements 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 herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

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 or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

A. Interests in the Company

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

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

B. Interests in associated corporations

1. Easyknit Enterprises Holdings Limited

| Name of Director | Nature of interest | Number of ordinary shares (long position) | Approximate percentage interest |
|-----------------------------|------------------------|-------------------------------------------|---------------------------------|
| Lui Yuk Chu (<i>Note</i>) | Beneficiary of a trust | 232,790,657 | 31.70% |

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

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

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

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to 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.

3. SUBSTANTIAL SHAREHOLDERS

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

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

Notes:

- (a) The 291,794,804 Shares relate to the same block of Shares. These Shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was a wholly-owned subsidiary of Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu was deemed to be interested in the 291,794,804 Shares by virtue of the SFO.
- (b) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited.
- (c) Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited was owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited.
- (d) The 291,794,809 Shares relate to the same block of Shares. Out of the 291,794,809 Shares, 291,794,804 Shares were registered in the name of and were beneficially owned by Magical Profits Limited. The remaining 5 Shares were held by HSBC Broking Securities (Asia) Limited, which was a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn was wholly-owned by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were 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.

4. 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 claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

As at the Latest Practicable Date, Kingbest was not engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against Kingbest.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

6. SERVICE CONTRACTS

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

7. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company had any direct or indirect interest in any asset which had been, since 31 March 2009, 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.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Enlarged Group, were entered into by the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the agreement dated 24 June 2008 entered into between Easyknit Properties and the Seller for the sale and purchase of the entire issued share capital of Trump Elegant Investment Limited (“Trump Elegant”) a wholly-owned subsidiary of the Company, for the consideration of HK\$8.3 million for which completion took place on 1 September 2008;
- (b) the 11 agreements entered into between Trump Elegant and each of the property vendors in relation to the sale and purchase of the properties at 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 Nos. 313, 313A, 313B & 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong (Section B of Kowloon Inland Lot No. 1685);
- (c) the conditional undertaking letter dated 5 November 2008 executed by Landmark Profits Limited (“Landmark Profits”) in favour of Easyknit Enterprises Holdings Limited (“EE”) and Get Nice Securities Limited in relation to the allotment and issue of 667,499,000 new shares (“EE Rights Shares”) under an offer by way of rights to holders of shares in EE at HK\$0.15 per Rights Share in the proportion of ten EE Rights Shares for every share in EE held (“EE Rights Issue”) pursuant to which Landmark Profits has conditionally undertaken, inter alia, that the shares in EE held by it on the date of the undertaking would remain registered in its name as at 4:00 p.m. on the record date of the EE Rights Issue and that the EE Rights Shares to be provisionally allotted to Landmark Profits in respect of such shares in EE (representing 211,627,870 EE Rights Shares) would be taken up and paid for in full by Landmark Profits;

- (d) the sale and purchase agreement dated 30 June 2009 entered into between Trump Elegant and Ip Wai Hung, an individual and an Independent Third Party, in relation to the sale and purchase of the property situated at Flat 3 on the Ground Floor of of Nos. 313, 313A, 313B & 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong (Section B of Kowloon Inland Lot No. 1685;
- (e) the Agreement; and
- (f) the Property Purchase Agreements.

Save as disclosed, none of the members of the Enlarged Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the Latest Practicable Date that are or may be material.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular or have given their opinion or advice which is contained in this circular:

| Name | Qualification |
|----------------------------------------------------|---------------------------------|
| Deloitte Touche Tohmatsu (“Deloitte”) | Certified Public Accountants |
| Tony Yuen & Co. | Certified Public Accountants |
| Vigers Appraisal and Consulting Limited (“Vigers”) | Independent Professional Valuer |

As at the Latest Practicable Date, none of Deloitte, Tony Yuen & Co. and Vigers have any shareholdings 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, Tony Yuen & Co. and Vigers have any direct or indirect interests in any assets which have been, since 31 March 2009 (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 Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of Deloitte, Tony Yuen & Co. and Vigers have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter and the references to their name in the form and context in which they appear.

10. MISCELLANEOUS

- (a) The secretary of the Company is Chan Po Cheung, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) 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.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of this circular, for a period of 14 days:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the accountants' report from Tony Yuen & Co. on Kingbest, the text of which is set out in Appendix II of this circular;
- (c) the accountants' report from Deloitte on the unaudited proforma financial information of the Enlarged Group, the text of which is set out in Appendix III of this circular;
- (d) the valuation report from Vigers, the text of which is set out in Appendix V in this circular;
- (e) the annual reports of the Company for each of the two financial years ended 31 March 2008 and 31 March 2009;
- (f) the letters of consent referred to in the paragraph headed "Experts and Consents" above;
- (g) the material contracts referred to in the section headed "Material Contracts" of this appendix;
- (h) the circular of the Company dated 5 August 2009 in respect of a possible major transaction; and
- (i) this circular.

NOTICE OF SGM



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 (the “Company”) will be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 3 September 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:-

ORDINARY RESOLUTION

“THAT:-

- 1) the agreement dated 14 July 2009 entered into between Ng Kwai Tung and Easyknit Properties Holdings Limited (the “Agreement”); and
- 2) the transactions contemplated under the Agreement including the Acquisition and the Option,

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

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

Hong Kong, 7 August 2009

* *For identification only*

NOTICE OF SGM

Notes:

1. Any shareholder of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by duly authorised corporate representative or by proxy. 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 could exercise.
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 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 deposited at the Company's principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, 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 any 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 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 shall for the purposes of the bye-laws of the Company be deemed joint holders thereof.
6. A form of proxy for use at the meeting is enclosed.
7. All resolutions are to be voted by way of poll.