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

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, 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)

**MAJOR TRANSACTION  
PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
CHIEF ACCESS LIMITED  
(THE PROPOSED ACQUIRER OF THE PROPERTIES)**

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A letter from the board of directors of Easyknit International Holdings Limited is set out on pages 4 to 10 of this circular.

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 12 April 2010 at 9:00 a.m. is set out on pages N-1 to N-2 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*

Hong Kong, 22 March 2010

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix I: Financial Information of the Group</b> .....	I-1
<b>Appendix II: Financial Information of Chief Access</b> .....	II-1
<b>Appendix III: Unaudited Pro Forma Statement of Assets and Liabilities</b> .....	III-1
<b>Appendix IV: Additional Information on the Group</b> .....	IV-1
<b>Appendix V: Property Valuation Report</b> .....	V-1
<b>Appendix VI: General information</b> .....	VI-1
<b>Appendix VII: Financial Information about Grow Well</b> .....	VII-1
<b>Appendix VIII: Financial Information about the Supertop Group</b> .....	VIII-1
<b>Appendix IX: Financial Information about Kingbest</b> .....	IX-1
<b>Appendix X: Unaudited Pro Forma Financial Information about the Group</b> .....	X-1
<b>Notice of SGM</b> .....	N-1

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## DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share by Easyknit Properties on and subject to the terms and conditions of the Agreement
“Agreement”	the agreement dated 24 February 2010 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 the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A & 311C Prince Edward Road West, Kowloon, Hong Kong)
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Chief Access”	Chief Access Limited, a company incorporated in the British Virgin Islands, which is wholly owned by the Seller
“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 Acquisition
“Completion Date”	the date fixed for Completion, being 19 April 2010, or such other date as the parties may agree in writing
“Consideration”	the consideration of HK\$5,650,000 to be paid for sale and purchase of the Sale Share
“Director(s)”	director(s) of the Company
“Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Easyknit Properties”	Easyknit Properties Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

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## DEFINITIONS

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“Formal SPAs”	the formal agreement(s) for sale and purchase entered and/or to be entered into between Chief Access and each of the Property Vendor(s) in respect of each of the Properties
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party who, to the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, is independent of the Company and connected persons (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	19 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option granted by the Seller to Easyknit Properties under the Agreement to require the Seller to purchase the Sale Share from Easyknit Properties after Completion
“Properties”	the units located at the Front Portion of No. 311A Prince Edward Road West and the Rear Portion of No. 311C Prince Edward Road West, Kowloon, Hong Kong of the Building, which are subject to the Property Purchase Agreements and/or the Formal SPAs
“Property Purchase Agreement(s)”	the six provisional agreement(s) for sale and purchase entered into between Chief Access and each of the Property Vendor(s) in relation to the sale and purchase of the Properties
“Property Vendor(s)”	the respective vendor(s) under each of the Property Purchase Agreement(s) and/or the Formal SPA(s), each of which are Independent Third Parties
“Sale Share”	the one ordinary share of US\$1.00 in the share capital of Chief Access which has been issued and fully paid up and which represents the entire issued share capital of Chief Access at Completion
“Seller”	Ng Kwai Tung, an individual who is an Independent Third Party

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve, amongst other things, the Agreement and the transactions contemplated thereunder, including but not limited to the Acquisition and the Option, notice of which is set out at the end of this circular
“Shareholder(s)”	holder(s) of Shares
“Shareholder’s Loan”	all sums owed by Chief Access to the Seller under an unsecured non-interest bearing loan whether or not then due for payment as shown in the unaudited balance sheet of Chief Access as at the Completion Date
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%” or “per cent.”	percentage or per centum

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LETTER FROM THE BOARD

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**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司\***

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1218)

*Executive Directors:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Director:*

Mr. Tse Wing Chiu, Ricky

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

*Independent Non-executive Directors:*

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

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

22 March 2010

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
CHIEF ACCESS LIMITED  
(THE PROPOSED ACQUIRER OF THE PROPERTIES)**

**INTRODUCTION**

The Company announced on 24 February 2010 that 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, and the Seller agreed to sell, the Sale Share for a total consideration of HK\$5,650,000. The Sale Share represents the entire issued share capital of Chief Access.

\* *For identification only*

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## LETTER FROM THE BOARD

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Chief Access is the purchaser under the Property Purchase Agreements and the Formal SPAs. The acquisition of Chief Access will enable the Group to acquire the Properties, which represent all units or 100% of the undivided shares in the Building.

One or more of the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 25% but are less than 100%, and therefore the Acquisition constitutes a major transaction under Rule 14.06(3) of the Listing Rules. The Agreement and the transactions contemplated thereunder including the Acquisition and the Option, are therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. The Acquisition is conditional upon, amongst other things, the approval of the Shareholders of the Company at the SGM (other than those who are required by the Listing Rules to abstain from voting). As, to the best knowledge of the Directors, no Shareholder has any material interest in the Agreement, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Agreement.

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 though fit, approve the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option.

### THE AGREEMENT

#### Date

24 February 2010

#### Parties

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

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Seller and the Property Vendors (and, where applicable, their ultimate beneficial owners) are Independent Third Parties. 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 Chief Access.

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## LETTER FROM THE BOARD

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### Conditions Precedent

Completion of the Agreement is conditional upon the fulfilment (or in respect of conditions (a) and (e) below, waiver in writing by Easyknit Properties) of the following conditions on or prior to 12 April 2010 (or such later date as may be agreed between Easyknit Properties and the Seller):

- (a) entry into Property Purchase Agreements and Formal SPAs in respect of all the Properties;
- (b) the Agreement and the transactions contemplated therein being duly approved by the Shareholders (other than those who are required by the Listing Rules to abstain from voting) at the SGM of the Company in accordance with the Listing Rules;
- (c) none of the Property Vendors under any of the Property Purchase Agreements and the Formal SPAs having served a notice to the effect or the effect of which is that the completion of any of the Property Purchase Agreements and/or the Formal SPAs will not take place;
- (d) no event having occurred which in the reasonable opinion of Easyknit Properties could be construed as being capable of preventing completion of the Property Purchase Agreements and/or the Formal SPAs, or which could frustrate or make illegal or impossible the completion of the Property Purchase Agreements and/or the Formal SPAs or make any of them unenforceable;
- (e) a due diligence review being carried out on Chief Access by, and having been completed to the satisfaction of, Easyknit Properties in its sole discretion; and
- (f) title investigation on the Properties being carried out to the satisfaction of Easyknit Properties if Easyknit Properties exercises its rights under the Agreement, such right to be exercised at Easyknit Properties' absolute discretion.

Completion of the Agreement is expected to take place on or around 19 April 2010.

The completion of the Property Purchase Agreements and/or the Formal SPAs is not conditional on the completion of the Agreement.

### Consideration

The consideration for the Sale Share is HK\$5,650,000, which will be paid by Easyknit Properties in cash on Completion. At Completion, Easyknit Properties will deliver the Consideration to the solicitors for the Seller to be held by them as stakeholders in an interest-bearing account until seven days after the completion of all (and not part only) of the Property Purchase Agreements and the Formal SPAs and written consent of Easyknit Properties to its release. If completion of all (and not part only) of the Property Purchase Agreements and Formal SPAs does not occur on or before 10 June 2010, the Seller shall procure that the solicitors for the Seller immediately refunds to Easyknit Properties the Consideration together with all interest earned while held by the solicitors for the Seller.



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## LETTER FROM THE BOARD

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At or around the same time as the Consideration is released to the Seller, Easyknit Properties shall procure Chief Access to repay the Shareholder's Loan in full and final discharge of the Company's obligation to pay the Seller any outstanding sums. The outstanding amount of the Shareholder's Loan shall not exceed HK\$9,535,000.

The consideration of HK\$5,650,000 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 Chief Access, which is the purchaser in the Property Purchase Agreements and the Formal SPAs, 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 Option, being the right to require the Seller to purchase from Easyknit Properties the Sale Share if completion of any of the Property Purchase Agreements or Formal SPAs does not take place for whatever reason or if, in the sole opinion of Easyknit Properties or its legal advisers, the title to the Properties is defective, or vacant possession of the Properties is not obtained on the dates specified in the Agreement, at a consideration equivalent to the aggregate of (i) HK\$5,650,000; (ii) the sum paid by Chief Access to the Seller in full and final discharge of the Shareholder's Loan; and (iii) the total sum paid by Chief Access and/or Easyknit Properties and/or any of their respective associates under any of the Property Purchase Agreements and/or Formal SPAs after the Completion Date. The Option may be exercised by Easyknit Properties by notice in writing to the Seller any time on or before 10 July 2010.

### **Acquisition of the Properties by Chief Access**

Chief Access has entered into the Property 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 and/or the Formal SPAs is expected to be on or before 10 June 2010. The total consideration for the acquisition of the Properties under the Property Purchase Agreements and/or the Formal SPAs (if signed) is HK\$95,350,000.

The Company was informed that as at the Latest Practicable Date, Chief Access has paid a total of HK\$9,535,000 as deposits under the Property Purchase Agreements (representing approximately 10% of the total consideration under all of the Property Purchase Agreements) to the Property Vendors. Upon completion of the Property Purchase Agreements and/or the Formal SPAs, Chief Access will have to pay the balance of the consideration in the aggregate sum of HK\$85,815,000 to the Property Vendors. If the Agreement completes on the Completion Date, Chief Access 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 Chief Access.

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## LETTER FROM THE BOARD

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

The Group currently holds various commercial, industrial and residential properties in Hong Kong. Chief Access is the purchaser under the Property Purchase Agreements and Formal SPAs. The acquisition of the entire issued share capital of Chief Access will enable the Group to acquire the Properties, which represent all of the units or 100% of the undivided shares in the Building.

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\$101,000,000 as at 31 January 2010.

Two 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 the other four Properties will be delivered by various dates ranging from 15 July 2010 to 10 October 2010.

The Building is adjacent to the buildings situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) and on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) which the Group acquired from the Seller (through acquisition of two companies) pursuant to two agreements dated 24 June 2008 and 14 July 2009 respectively.

The Acquisition will enable the Group to expand its property investment portfolio, and provide the Group with further potential income from property development. The Directors are of the view that the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option, is in the interests of the Group and the Shareholders as a whole, and is on normal commercial terms which are fair and reasonable.

### Information on Chief Access

Chief Access was incorporated on 1 October 2009 and has never carried on any business save for entering into the Property Purchase Agreements and Formal SPAs. Accordingly, from the date of incorporation of Chief Access up until the date of the Agreement, there are no net profits attributable to Chief Access. The net asset value of Chief Access as at 24 February 2010 is HK\$8.

As at the Latest Practicable Date, its sole material assets were the Property Purchase Agreements and the Formal SPAs and the deposits paid and its rights under the Property Purchase Agreements and the Formal SPAs. The liabilities of Chief Access consist of a debt (owed to the Seller) of HK\$9,534,992 and its liabilities under the Property Purchase Agreements and the Formal SPAs.

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## LETTER FROM THE BOARD

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### 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 15 July 2010, the acquisition of Chief Access and the Properties will lead to a small increase in earnings of the Group by approximately HK\$65,000 for the year ending 31 March 2011 and there is expected to be no rental income generated from the Properties for the year ending 31 March 2012.

Based on the unaudited pro forma statement of assets and liabilities in Appendix III of this circular, the effect of the acquisition of the Properties is that: (i) the properties held for development by the Group will increase by approximately HK\$106 million; and (ii) the cash reserve will decrease by approximately HK\$106 million. The acquisition of Chief Access 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.

### SGM

A notice convening the SGM of the Company to be held on 12 April 2010 at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. is set out on pages N-1 to N-2 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.

To the best knowledge of the Directors, 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.

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.

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**LETTER FROM THE BOARD**

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**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*

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
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>
<b>Current assets</b>			
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>
<b>Current liabilities</b>			
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>
<b>Net current assets</b>	<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>

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

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	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves</b>			
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
<b>Non-current liabilities</b>			
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>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <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>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
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>
<b>Current assets</b>			
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>
<b>Current liabilities</b>			
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>
<b>Net current assets</b>		<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>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	34	7,942	7,942
Reserves		<u>1,357,242</u>	<u>1,461,587</u>
		1,365,184	1,469,529
<b>Non-current liabilities</b>			
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	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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**

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

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

<sup>1</sup> 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.

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>5</sup> Effective for annual periods ending on or after 30 June 2009.

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2008.

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

<sup>8</sup> 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

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Financial assets</b>		
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>
<b>Financial liabilities</b>		
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>		
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <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
<b>2009</b>					
<b>Non-derivative financial liabilities</b>					
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>
<b>2008</b>					
<b>Non-derivative financial liabilities</b>					
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:

	<b>2009</b>	<b>2008</b>
	<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
<b>TURNOVER</b>							
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>
<b>RESULT</b>							
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*

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

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	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*

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>TURNOVER</b>							
External	487,806	27,453	6,080	—	—	—	521,339
Inter-segment	—	2,659	—	—	—	(2,659)	—
Total	<u>487,806</u>	<u>30,112</u>	<u>6,080</u>	<u>—</u>	<u>—</u>	<u>(2,659)</u>	<u>521,339</u>
<b>RESULT</b>							
Segment result	<u>24,133</u>	<u>79,175</u>	<u>400</u>	<u>(47,944)</u>	<u>3,217</u>	<u>(2,581)</u>	56,400
Unallocated corporate income							14,679
Unallocated corporate expenses							(4,570)
Share of results of associates							(6,399)
Finance costs							<u>(10)</u>
Profit before taxation							60,100
Taxation credit							<u>4,236</u>
Profit for the year							<u>64,336</u>

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



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

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>						
Segment assets	64,482	567,950	180,424	218,845	135,281	1,166,982
Interests in associates						94,438
Unallocated corporate assets						<u>297,978</u>
Consolidated total assets						<u><u>1,559,398</u></u>
<b>LIABILITIES</b>						
Segment liabilities	29,124	14,169	—	—	30	43,323
Unallocated corporate liabilities						<u>46,546</u>
Consolidated total liabilities						<u><u>89,869</u></u>

(iii) *Other information*

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	175	31	—	—	—	206
Depreciation of property, plant and equipment	757	383	—	—	—	1,140
Impairment loss on available-for-sale investments	—	—	—	33,163	—	33,163
Loss on disposal of available-for-sale investments	—	—	—	7,594	—	7,594
Loss on fair value changes of investments held for trading	—	—	—	9,690	—	9,690

**Geographical segments**

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

	<b>Turnover</b>	
	<b>2009</b>	<b>2008</b>
	<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:

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<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	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
(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.

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

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 Cheung Tim	Lui Yuk Chu	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:

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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>
	<b>2009</b>	<b>2008</b>
<b>Number of shares</b>		
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:

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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>
<b>COST OR VALUATION</b>				
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)
<b>At 31 March 2009</b>	<b>32,319</b>	<b>13,071</b>	<b>2,717</b>	<b>48,107</b>
Comprising:				
At 31 March 2008				
At cost	3,319	13,224	2,717	19,260
At valuation - 1995	29,000	—	—	29,000
	32,319	13,224	2,717	48,260
At 31 March 2009				
At cost	3,319	13,071	2,717	19,107
At valuation - 1995	29,000	—	—	29,000
	32,319	13,071	2,717	48,107
<b>ACCUMULATED DEPRECIATION</b>				
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)
<b>At 31 March 2009</b>	<b>18,220</b>	<b>12,583</b>	<b>1,815</b>	<b>32,618</b>
<b>CARRYING VALUES</b>				
<b>At 31 March 2009</b>	<b>14,099</b>	<b>488</b>	<b>902</b>	<b>15,489</b>
At 31 March 2008	14,468	585	1,375	16,428

*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:

	<b>2009</b>	<b>2008</b>
	<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

	<b>2009</b>	<b>2008</b>
	<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>
<b>FAIR VALUE</b>	
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>
<b>At 31 March 2009</b>	<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:

	<b>2009</b>	<b>2008</b>
	<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

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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.

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

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 <sup>#</sup>	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

<sup>#</sup> 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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**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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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**

	<b>2009</b>	<b>2008</b>
	<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**

	<b>2009</b>	<b>2008</b>
	<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**

	<b>2009</b>	<b>2008</b>
	<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

	<b>2009</b>	<b>2008</b>
	<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><u>44,060</u></u>	<u><u>32,143</u></u>

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

	<b>2009</b>	<b>2008</b>
	<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><u>11,704</u></u>	<u><u>15,690</u></u>

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

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$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:

	<b>2009</b>	<b>2008</b>
	<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><u>1,536</u></u>	<u><u>3,918</u></u>



Movement in the allowance for doubtful debts:

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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:

<b>Principal amount</b>	<b>Maturity</b>	<b>Annual coupon rate</b>
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.

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

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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:

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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:

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

**34. SHARE CAPITAL**

	<b>Nominal value per share</b>	<b>Number of shares</b>	<b>Amount</b>
	<i>HK\$</i>		<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:

	<b>Accelerated tax depreciation</b>	<b>Investment properties</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 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>
<b>At 31 March 2009</b>	<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.

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

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:

	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year of expiry</b>		
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:

	<b>2009</b>	<b>2008</b>
	<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**

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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**

	<b>2009</b>	<b>2008</b>
	<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:

	<b>2009</b>	<b>2008</b>
	<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.

**3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Set out below is a reproduction of the text of the unaudited condensed consolidated financial statements of the Group together with the accompanying notes contained on pages 1 to 18 of the interim report of the Company for the six months ended 30 September 2009.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	NOTES	Six months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	3	241,535	216,887
Cost of sales		<u>(198,600)</u>	<u>(174,028)</u>
Gross profit		42,935	42,859
Other income		6,626	11,797
Distribution and selling expenses		(5,200)	(4,868)
Administrative expenses		(22,294)	(24,281)
Gain (loss) arising on fair value changes of investment properties		59,103	(16,850)
Gain (loss) on fair value changes of investments held for trading		24,659	(42,881)
Gain (loss) on fair value changes of structured deposit		1,047	(461)
Gain on disposal of available-for-sale investments		—	3,803
Gain on partial disposal of interests in associates	4	—	1,021
Impairment loss on available-for-sale investments		—	(22,699)
Share of results of associates		<u>(5,061)</u>	<u>(4,883)</u>
Profit (loss) before taxation	5	101,815	(57,443)
Taxation (charge) credit	6	<u>(16,221)</u>	<u>8,157</u>
Profit (loss) for the period attributable to owners of the Company		<u>85,594</u>	<u>(49,286)</u>
Other comprehensive income (expense)			
Change in fair value of available-for-sale investments		30,771	(22,922)
Exchange difference arising on translation of foreign operations		—	1
Share of translation reserve of associates		—	1,109
Reclassification adjustment relating to disposal of available-for-sale investments		—	(3,803)
Reclassification adjustment relating to impairment loss on available-for-sale investments		—	22,699
Other comprehensive income (expense) for the period attributable to owners of the Company		<u>30,771</u>	<u>(2,916)</u>
Total comprehensive income (expense) for the period attributable to owners of the Company		<u>116,365</u>	<u>(52,202)</u>
Basic earnings (loss) per share	7	<u>HK cents 10.8</u>	<u>HK cents (6.2)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2009

	<i>NOTES</i>	<b>30 September 2009</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 March 2009</b> <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	9	14,976	15,489
Properties held for development	10	108,231	99,000
Investment properties	11	552,251	544,920
Intangible asset		921	921
Interests in associates		107,975	113,036
Available-for-sale investments		<u>64,662</u>	<u>33,891</u>
		<u>849,016</u>	<u>807,257</u>
Current assets			
Properties held for development	10	191,678	181,204
Investments held for trading		71,066	93,420
Inventories		1,155	3,490
Trade and other receivables	12	27,300	44,060
Loans receivable	13	77,110	86,068
Bills receivable	14	37,919	39,180
Tax recoverable		31	31
Structured deposit	15	—	24,045
Bank balances and cash		<u>301,309</u>	<u>165,147</u>
		707,568	636,645
Asset classified as held for sale	16	<u>51,824</u>	<u>—</u>
		<u>759,392</u>	<u>636,645</u>
Current liabilities			
Trade and other payables	17	58,693	28,692
Bills payable	14	11,633	9,683
Tax payable		<u>26,676</u>	<u>25,657</u>
		<u>97,002</u>	<u>64,032</u>
Net current assets		<u>662,390</u>	<u>572,613</u>
		<u>1,511,406</u>	<u>1,379,870</u>

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

		<b>30 September</b>	<b>31 March</b>
	<i>NOTES</i>	<b>2009</b>	<b>2009</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Capital and reserves			
Share capital	18	7,942	7,942
Reserves		<u>1,473,607</u>	<u>1,357,242</u>
		1,481,549	1,365,184
Non-current liabilities			
Deferred taxation	19	<u>29,857</u>	<u>14,686</u>
		<u>1,511,406</u>	<u>1,379,870</u>

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Investment	Property	Accumulated profits HK\$'000	Total HK\$'000
							revaluation	revaluation		
							reserve HK\$'000	reserve HK\$'000		
<b>At 1 April 2009 (audited)</b>	<u>7,942</u>	<u>218,330</u>	<u>196,565</u>	<u>7,429</u>	<u>9,800</u>	<u>220,937</u>	<u>—</u>	<u>2,521</u>	<u>701,660</u>	<u>1,365,184</u>
Change in fair value of available-for-sale investments	—	—	—	—	—	—	30,771	—	—	30,771
Profit for the period	—	—	—	—	—	—	—	—	85,594	85,594
Total comprehensive income for the period	—	—	—	—	—	—	30,771	—	85,594	116,365
<b>At 30 September 2009 (unaudited)</b>	<u>7,942</u>	<u>218,330</u>	<u>196,565</u>	<u>7,429</u>	<u>9,800</u>	<u>220,937</u>	<u>30,771</u>	<u>2,521</u>	<u>787,254</u>	<u>1,481,549</u>
At 1 April 2008 (audited)	<u>7,942</u>	<u>218,330</u>	<u>196,565</u>	<u>6,364</u>	<u>9,800</u>	<u>220,937</u>	<u>4,026</u>	<u>2,521</u>	<u>803,044</u>	<u>1,469,529</u>
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(22,922)	—	—	(22,922)
Exchange difference on translation of foreign operations	—	—	—	1	—	—	—	—	—	1
Share of translation reserve of associates	—	—	—	1,109	—	—	—	—	—	1,109
Released on disposal of available-for-sale investments	—	—	—	—	—	—	(3,803)	—	—	(3,803)
Impairment loss on available- for-sale investments	—	—	—	—	—	—	22,699	—	—	22,699
Loss for the period	—	—	—	—	—	—	—	—	(49,286)	(49,286)
Total comprehensive income (expense) for the period	—	—	—	1,110	—	—	(4,026)	—	(49,286)	(52,202)
At 30 September 2008 (unaudited)	<u>7,942</u>	<u>218,330</u>	<u>196,565</u>	<u>7,474</u>	<u>9,800</u>	<u>220,937</u>	<u>—</u>	<u>2,521</u>	<u>753,758</u>	<u>1,417,327</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash from (used in) operating activities	<u>92,799</u>	<u>(39,485)</u>
Net cash from (used in) investing activities		
Proceeds on maturity of structured deposit	25,092	—
Deposit received in respect of disposal of an investment property	15,547	—
Proceeds on disposal of available-for-sale investments	—	13,536
Purchase of structured deposit	—	(23,250)
Increase in bank deposit with original maturity over three months	—	(10,867)
Other investing activities	<u>2,724</u>	<u>5,558</u>
	<u>43,363</u>	<u>(15,023)</u>
Net increase (decrease) in cash and cash equivalents	136,162	(54,508)
Cash and cash equivalents at beginning of the period	<u>165,147</u>	<u>281,315</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>301,309</u>	<u>226,807</u>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009***1. GENERAL AND BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2009 except for the accounting policy of non-current assets held for sale as stated below.

**Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2009.

**HKAS 1 (Revised) “Presentation of Financial Statements”**

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

**HKFRS 8 “Operating Segments”**

HKFRS 8 is a disclosure standard and has not resulted in a redesignation of the Group’s reportable segment (see note 3).

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related party disclosures <sup>3</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of rights issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>5</sup>
HKFRS 3 (Revised)	Business combinations <sup>1</sup>
HKFRS 9	Financial instruments <sup>6</sup>
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners <sup>1</sup>

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

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is 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. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations may have impact on the results and financial position of the Group but the directors of the Company are still assessing the impact.

### 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The Group's primary reporting format was business segments and is currently organised into five main operating divisions — (i) garment sourcing and exporting, (ii) property investments, (iii) property development, (iv) investment in securities and (v) loan financing. The directors of the Company consider that the adoption of HKFRS 8 has not resulted in a redesignation of the reportable segments for the Group compared with the primary reportable segments disclosed in the annual financial statements for the year ended 31 March 2009.

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

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors of the Company, being the CODM of the Group. The executive directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the segment results of the operating segments (share of results of associates, gain on partial disposal of interests in associates, income tax expenses and corporate income and expenses).

**For the six months ended 30 September 2009**

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover							
External	226,638	14,897	—	—	—	—	241,535
Inter-segment	—	1,509	—	—	—	(1,509)	—
	<u>226,638</u>	<u>16,406</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,509)</u>	<u>241,535</u>
Result							
Segment result	<u>6,630</u>	<u>73,641</u>	<u>(790)</u>	<u>28,193</u>	<u>2,542</u>	<u>(1,167)</u>	109,049
Unallocated corporate income							1,137
Unallocated corporate expenses							(3,310)
Share of results of associates							<u>(5,061)</u>
Profit before taxation							101,815
Taxation charge							<u>(16,221)</u>
Profit for the period							<u>85,594</u>

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

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**
**For the six months ended 30 September 2008**

	<b>Garment sourcing and exporting</b>	<b>Property investments</b>	<b>Property development</b>	<b>Investment in securities</b>	<b>Loan financing</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover							
External	200,927	13,772	2,188	—	—	—	216,887
Inter-segment	—	1,509	—	—	—	(1,509)	—
	<u>200,927</u>	<u>15,281</u>	<u>2,188</u>	<u>—</u>	<u>—</u>	<u>(1,509)</u>	<u>216,887</u>
Result							
Segment result	<u>6,576</u>	<u>(3,553)</u>	<u>345</u>	<u>(56,968)</u>	<u>3,288</u>	<u>(1,607)</u>	(51,919)
Unallocated corporate income							2,736
Unallocated corporate expenses							(4,398)
Gain on partial disposal of interests in associates							1,021
Share of results of associates							<u>(4,883)</u>
Loss before taxation							(57,443)
Taxation credit							<u>8,157</u>
Loss for the period							<u>(49,286)</u>

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

**4. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN ASSOCIATES**

During the six months ended 30 September 2008, 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 (six months ended 30 September 2009: nil) was recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2008. Shares of Easyknit Enterprises are also listed on the Stock Exchange.

## 5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of land portion of properties held for development	790	—
Depreciation of property, plant and equipment	525	547
Net exchange loss (included in administrative expenses)	29	2,749
and after crediting:		
Dividend income from listed investments	3,534	5,270
Interest income	<u>2,742</u>	<u>6,109</u>

## 6. TAXATION

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	<u>1,050</u>	<u>34</u>
Deferred taxation (note 19)		
Charge (credit) for the period	15,171	(6,942)
Attributable to a change in tax rate	<u>—</u>	<u>(1,249)</u>
	<u>15,171</u>	<u>(8,191)</u>
Tax charge (credit) attributable to the Company and its subsidiaries	<u>16,221</u>	<u>(8,157)</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2008: 16.5%) of the estimated assessable profit for the period.

**7. BASIC EARNINGS (LOSS) PER SHARE**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings (loss) attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	<u>85,594</u>	<u>(49,286)</u>

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
<b>Number of shares</b>		
Number of shares for the purpose of calculating basic earnings (loss) per share	<u>794,204,028</u>	<u>794,204,028</u>

No diluted earnings (loss) per share is presented as the Company has no potential ordinary shares outstanding during both periods.

**8. DIVIDEND**

The directors do not recommend the payment of an interim dividend for both periods.

**9. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent HK\$12,000 (six months ended 30 September 2008: HK\$141,000) on acquisition of property, plant and equipment.

**10. PROPERTIES HELD FOR DEVELOPMENT**

	<b>30 September</b>	<b>31 March</b>
	<b>2009</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of properties held for development shown in the condensed consolidated statement of financial position as:		
Non-current assets	108,231	99,000
Current assets	<u>191,678</u>	<u>181,204</u>
	<u>299,909</u>	<u>280,204</u>

At 31 March 2009, the Group held 11 out of the 12 units in a building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong) (the “313 Prince Edward Road Building”). During the six months ended 30 September 2009, the Group acquired the remaining one unit of the 313 Prince Edward Road Building at a consideration of HK\$10,021,000 (including direct costs).

As announced by the Company on 17 July 2009, the Group entered into a conditional 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 acquisition of Kingbest which was completed on 6 October 2009 enables the Group to acquire all units in a building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B and 311D Prince Edward Road West, Kowloon, Hong Kong) (the “311 Prince Edward Road Building”). The directors of the Company intend to redevelop the 311 Prince Edward Road Building together with the 313 Prince Edward Road Building for sale. The properties held for development in respect of the 313 Prince Edward Road Building of HK\$108,231,000 (31 March 2009: HK\$99,000,000) were not included in the Group’s current assets in the condensed consolidated statement of financial position at 30 September 2009 because all conditions for completion of the acquisition of the 311 Prince Edward Road Building have not been fulfilled at 30 September 2009.

#### 11. INVESTMENT PROPERTIES

The Group’s investment properties are held for rental purposes under operating leases. They were valued by Knight Frank Petty Limited, a firm of independent professional valuers, at 30 September 2009. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The gain arising on change in fair value of the investment properties of HK\$59,103,000 has been recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2009 (six months ended 30 September 2008: loss arising on change in fair value of HK\$16,850,000).

#### 12. TRADE AND OTHER RECEIVABLES

	<b>30 September</b>	<b>31 March</b>
	<b>2009</b>	<b>2009</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Trade receivables	11,999	11,704
Deposits to suppliers	10,044	26,476
Other receivables	5,257	5,880
	<u>27,300</u>	<u>44,060</u>

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

	<b>30 September</b>	<b>31 March</b>
	<b>2009</b>	<b>2009</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
0 - 60 days	11,194	10,411
61 - 90 days	656	1,245
Over 90 days	149	48
	<u>11,999</u>	<u>11,704</u>

**13. LOANS RECEIVABLE**

The amount at 30 September 2009 included an interest-free advance to Kingbest amounting to HK\$7,410,000 (see note 21(a)). The loan to Kingbest shall be used exclusively in and towards payment of the deposits in respect of the property purchase agreements entered into by Kingbest as purchaser of the units in the 311 Prince Edward Road Building.

**14. BILLS RECEIVABLE/BILLS PAYABLE**

The bills receivable and bills payable of the Group are aged within 90 days at the end of the reporting period.

**15. STRUCTURED DEPOSIT**

The Group did not have structured deposit at 30 September 2009. During the year ended 31 March 2009, the Group placed a structured deposit with a financial institution in Hong Kong. The structured deposit contained embedded derivative, the return of which was determined with reference to the change in exchange rate between RMB and USD quoted in the market. The structured deposit was designated as fair value through profit or loss at initial recognition.

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

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

*Note:* The annual coupon rate was 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 was stated at fair value based on valuation provided by the counterparty financial institution for equivalent instruments. The fair value was calculated using discounted cashflow analyses based on the applicable yield curve of relevant interest rate and exchange rates.

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.

**16. ASSET CLASSIFIED AS HELD FOR SALE**

During the six months ended 30 September 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 G/F, 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 amount of the investment property classified as held for sale as at 30 September 2009 was HK\$51,824,000.

This disposal of investment property, which was approved by the shareholders of the Company at a special general meeting held on 3 September 2009, was completed on 5 October 2009.

**17. TRADE AND OTHER PAYABLES**

The amount at 30 September 2009 included an amount of HK\$15,547,000 representing deposit received in respect of disposal of an investment property. Further details about this disposal are set out in note 16.



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

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

	<b>30 September 2009</b>	<b>31 March 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	21,185	10,419
61 - 90 days	—	11
Over 90 days	<u>92</u>	<u>4</u>
	<u>21,277</u>	<u>10,434</u>

**18. SHARE CAPITAL**

	<b>Nominal value per share</b>	<b>Number of shares</b>	<b>Amount</b>
	<i>HK\$</i>	<i>HK\$'000</i>	
Authorised:			
At 1 April 2008, 31 March 2009 and 30 September 2009	0.01	<u>100,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
At 1 April 2008, 31 March 2009 and 30 September 2009	0.01	<u>794,204,028</u>	<u>7,942</u>

## 19. DEFERRED TAXATION

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

	<b>Accelerated tax depreciation</b>	<b>Investment properties</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2008	256	37,092	(15,505)	21,843
Effect of change in tax rate	(15)	(2,120)	886	(1,249)
Charge (credit) to the condensed consolidated statement of comprehensive income	<u>18</u>	<u>(1,743)</u>	<u>(5,217)</u>	<u>(6,942)</u>
At 30 September 2008	259	33,229	(19,836)	13,652
(Credit) charge to the condensed consolidated statement of comprehensive income	<u>(13)</u>	<u>720</u>	<u>327</u>	<u>1,034</u>
At 31 March 2009	246	33,949	(19,509)	14,686
Charge to the condensed consolidated statement of comprehensive income	<u>11</u>	<u>8,413</u>	<u>6,747</u>	<u>15,171</u>
At 30 September 2009	<u><u>257</u></u>	<u><u>42,362</u></u>	<u><u>(12,762)</u></u>	<u><u>29,857</u></u>

For the purposes of the presentation in the consolidated statement of financial position, the above deferred tax liabilities and assets have been offset.

At 30 September 2009, the Group has unused tax losses of HK\$161,353,000 (31 March 2009: HK\$210,532,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$77,349,000 (31 March 2009: HK\$118,239,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$83,974,000 (31 March 2009: HK\$93,192,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except for losses of HK\$54,877,000 (31 March 2009: HK\$54,877,000) which will expire as follows:

	<b>30 September</b>	<b>31 March</b>
	<b>2009</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Year of expiry:		
2022	1,821	1,821
2023	2,163	2,163
2024	11,225	11,225
2025	13,272	13,272
2026	7,650	7,650
2027	9,022	9,022
2028	7,300	7,300
2029	2,424	2,424
	<u>54,877</u>	<u>54,877</u>

## 20. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the period, 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	<u>183</u>	<u>193</u>

- (b) During the six months ended 30 September 2009, the Group provided administrative services to Easyknit Enterprises and received service income of HK\$120,000 (six months ended 30 September 2008: HK\$120,000) 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, has beneficial interests.

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

The remuneration of directors and other members of key management during the period amounted to HK\$3,562,000 (six months ended 30 September 2008: HK\$3,011,000).

**21. EVENTS AFTER THE END OF THE INTERIM PERIOD**

- (a) As announced by the Company on 17 July 2009 and as set out in note 10, the Group entered into a conditional sale and purchase agreement with a vendor to acquire the entire issued share capital of 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 (see note 13). 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 the 311 Prince Edward Road Building. 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 was approved by the shareholders of the Company at a special general meeting held on 3 September 2009.

As announced by the Company on 4 November 2009, the acquisition of the entire issued share capital of Kingbest was completed on 6 October 2009 and the completion of all property purchase agreements was on 20 October 2009. The Group did not exercise the option granted by the vendor and the option expired on 31 October 2009.

- (b) As announced by the Company on 25 August 2009, Easyknit Enterprises, the Group's associate, proposed on 25 August 2009 to undertake a capital reorganisation exercise and thereafter, to raise approximately HK\$111.6 million (before expenses) by way of a rights issue of 293,699,560 rights shares at a subscription price of HK\$0.38 per rights share, payable in full on acceptance. The Group has conditionally undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among others, the rights shares to be allotted to the Group shall be taken up in full. The subscription cost amounted to approximately HK\$35.4 million based on the Group's shareholding in Easyknit Enterprises. The Group did not apply for any excess rights shares.
- (c) As announced by the Company on 16 October 2009, the Group entered into two separate conditional sale and purchase agreements in respect of the acquisitions of the entire issued share capital of Grow Well Profits Limited ("Grow Well") and Supertop Investment Limited ("Supertop"). Pursuant to the sale and purchase agreement in respect of the acquisition of Grow Well (the "Grow Well Agreement"), the Group conditionally agreed to acquire the entire issued share capital of Grow Well and two interest-free shareholder's loans due by Grow Well for a consideration of HK\$123,120,000. Grow Well owns investment properties in Singapore. Pursuant to the sale and purchase agreement in respect of the acquisition of Supertop (the "Supertop Agreement"), the Group conditionally agreed to acquire the entire issued share capital of Supertop for a consideration of HK\$104,350,000. Supertop, through its wholly-owned subsidiary, owns investment properties in Hong Kong. The Grow Well Agreement and the Supertop Agreement are independent of each other and are not inter-conditional. Ms. Lui Yuk Chu, a director of the Company, is the vendor of Grow Well and Supertop.

The above proposed acquisitions, which are also connected transactions for the Company, will be subject to shareholders' approval at a special general meeting. Other details of the above proposed acquisitions are set out in the announcement of the Company dated 16 October 2009 and the circular of the Company dated 4 December 2009.

- (d) As announced by the Company on 3 December 2009, the Group acquired 915,000 shares of an equity security listed in Hong Kong, which was classified as investments held for trading, at a consideration of HK\$8,308,000 and subsequently disposed of all the equity security shares through the market for an aggregate gross proceeds of HK\$8,213,000 (exclusive of transaction costs).
- (e) As announced by the Company on 8 December 2009, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with a wholly-owned subsidiary of the Group's associate, Easyknit Enterprises, to dispose of the entire issued share capital of Easyknit Global Company Limited, Easyknit

Worldwide Company Limited and Grand Profit Development Limited, wholly-owned subsidiaries of the Company and principally engaged in garment trading, at an aggregate consideration of HK\$80 million. In addition, the Company proposed to effect a share consolidation pursuant to which every ten issued and unissued shares of the Company of HK\$0.01 each will be consolidated into one consolidated share of HK\$0.10 each.

Details of the above proposed disposal and the proposed share consolidation are set out in the joint announcement of the Company and Easyknit Enterprises dated 8 December 2009.

22 March 2010

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 Chief Access Limited (“Chief Access”) for the period from 1 October 2009 (date of incorporation of Chief Access) to 28 February 2010 (the “Relevant Period”), for inclusion in the circular of Easyknit International Holdings Limited (the “Company”) dated 22 March 2010 in connection with the Company’s proposed acquisition of the entire issued share capital of Chief Access (the “Circular”).

Chief Access is principally engaged in property investment and was incorporated in the British Virgin Islands on 1 October 2009 with limited liability.

We have acted as auditors of Chief Access for the Relevant Period. The financial statements of Chief Access 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 Chief Access is responsible for preparing the audited financial statements of Chief Access. The Financial Information is based on the audited financial statements of Chief Access. No adjustments to the audited financial statements of Chief Access 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 Chief Access 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 Chief Access for the period from 1 October 2009 (date of incorporation) to 28 February 2010 and of the assets and liabilities of Chief Access at 28 February 2010.

## I. FINANCIAL INFORMATION

## Statement of comprehensive income

	<i>Notes</i>	<b>1.10.2009 to 28.2.2010 HK\$</b>
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>	<b>28.2.2010</b> <i>HK\$</i>
<b>CURRENT ASSET</b>		
Deposits paid for acquisition of properties	9	9,535,000
<b>CURRENT LIABILITY</b>		
Amount due to the sole shareholder	7	<u>9,534,992</u>
<b>NET CURRENT ASSETS</b>		<u><u>8</u></u>
<b>SHARE CAPITAL</b>		
SHARE CAPITAL	8	8
RETAINED PROFITS		<u>—</u>
<b>CAPITAL AND RESERVES</b>		<u><u>8</u></u>

## Statement of changes in equity

	<b>Share capital</b> <i>HK\$</i>	<b>Retained profits</b> <i>HK\$</i>	<b>1.10.2009 to 28.2.2010 Total</b> <i>HK\$</i>
Issue of one ordinary share at US\$1	8	—	8
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>
Balance at 28 February 2010	<u><u>8</u></u>	<u><u>—</u></u>	<u><u>8</u></u>



## Statement of cash flows

	1.10.2009 to 28.2.2010 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit from operation	—
Adjustments	<u>—</u>
Operating profit before movements in working capital	—
Deposits paid for acquisition of properties	<u>(9,535,000)</u>
Cash used in operations	(9,535,000)
Income tax paid	<u>—</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(9,535,000)</u>
FINANCING ACTIVITIES	
Proceeds on issue of one ordinary share	8
Advance from the sole shareholder	<u>9,534,992</u>
NET CASH FROM FINANCING ACTIVITIES	<u>9,535,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>—</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>—</u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	<u>—</u>

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

Chief Access Limited is a company incorporated in the British Virgin Islands with limited liability. Chief Access' registered office is located at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The principal activity of Chief Access 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 Chief Access if Chief Access 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 Chief Access 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 Chief Access where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of Chief Access or of any entity that is a related party of Chief Access.

**3 TURNOVER**

Chief Access 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 Chief Access' 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 Chief Access 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**

	<b>28.2.2010</b> <i>HK\$</i>
Authorised:	
50,000 ordinary shares of US\$1 each	<u>390,000</u>
Issued and fully paid:	
1 ordinary share of US\$1 each	<u>8</u>

Chief Access was incorporated on 1 October 2009 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. On 20 November 2009, one ordinary share of US\$1 was issued at par to the founder member to provide the initial capital for Chief Access.

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

**9 CAPITAL COMMITMENTS**

Chief Access 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\$95,350,000:

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

Up to 28 February 2010, Chief Access had paid a total deposit of HK\$9,535,000 to the vendors pursuant to the Property Purchase Agreements. Upon completion of all the Property Purchase Agreements, Chief Access will have to pay the remaining balance of the consideration in the sum of HK\$85,815,000 to the vendors.

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

**10 SHARE SALE AGREEMENT**

Chief Access' 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 Chief Access (the "Sale Share") to Easyknit Properties at the consideration of HK\$5,650,000 ("Share Sale Agreement").

**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\$5,650,000; (ii) the sum paid by Chief Access to the Seller in full and final discharge of the amount due to the sole shareholder as recorded in Chief Access' books; and (iii) the total sum paid by Chief Access 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 10 July 2010.

**12 RELATED PARTY TRANSACTIONS**

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

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Chief Access have been prepared in respect of any period subsequent to 28 February 2010.

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

**1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES**

The unaudited pro forma statement of assets and liabilities of the Group (the “Unaudited Pro Forma Statement of Assets and Liabilities”) has been prepared to demonstrate the effect of the proposed acquisition of the Properties through the acquisition of the entire issued share capital of Chief Access (the “Acquisition”) on the financial position of the Group.

The Unaudited Pro Forma Statement of Assets and Liabilities has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition together with the Property Purchase Agreements had taken place on 30 September 2009.

The preparation of the Unaudited Pro Forma Statement of Assets and Liabilities is based on (i) the unaudited consolidated statement of financial position of the Group as at 30 September 2009 which has been extracted from the published interim report of the Group for the six months ended 30 September 2009, and (ii) the audited statement of financial position of Chief Access as at 28 February 2010 as extracted from the accountants’ report on Chief Access issued by Tony Yuen & Co., Certified Public Accountants in Hong Kong, as set out in Appendix II to this circular, and adjusted only to reflect the pro forma adjustments described in the notes thereto. Narrative description of the unaudited pro forma adjustments that are directly attributable to the Acquisition and the Property Purchase Agreements, and are factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Statement of Assets and Liabilities is based on a number of assumptions, estimates and uncertainties. The accompanying Unaudited Pro Forma Statement of Assets and Liabilities does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition and the Property Purchase Agreements been completed on 30 September 2009. The Unaudited Pro Forma Statement of Assets and Liabilities does not purport to predict the future financial position of the Group.

The Unaudited Pro Forma Statement of Assets and Liabilities should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 September 2009 and other financial information included elsewhere in this circular.

## APPENDIX III

UNAUDITED PRO FORMA STATEMENT  
OF ASSETS AND LIABILITIES

	<b>The Group</b>	<b>Chief</b>	<b>Pro forma</b>		<b>Unaudited</b>
	<b>as at 30</b>	<b>Access as</b>	<b>adjustments</b>		<b>pro forma</b>
	<b>September</b>	<b>February</b>	<b>adjustments</b>		<b>total for</b>
	<b>2009</b>	<b>2010</b>	<b>adjustments</b>		<b>the Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Note a)</i>	<i>(Note b)</i>	
<b>Non-current assets</b>					
Property, plant and equipment	14,976	—	—	—	14,976
Properties held for development	108,231	—	10,750	95,350	214,331
Investment properties	552,251	—	—	—	552,251
Intangible asset	921	—	—	—	921
Interests in associates	107,975	—	—	—	107,975
Available-for-sale investments	64,662	—	—	—	64,662
	<u>849,016</u>	<u>—</u>	<u>10,750</u>	<u>95,350</u>	<u>955,116</u>
<b>Current assets</b>					
Properties held for development	191,678	—	—	—	191,678
Investments held for trading	71,066	—	—	—	71,066
Inventories	1,155	—	—	—	1,155
Trade and other receivables	27,300	9,535	—	(9,535)	27,300
Loans receivable	77,110	—	—	—	77,110
Bills receivable	37,919	—	—	—	37,919
Tax recoverable	31	—	—	—	31
Bank balances and cash	301,309	—	(20,285)	(85,815)	195,209
	<u>707,568</u>	<u>9,535</u>	<u>(20,285)</u>	<u>(95,350)</u>	<u>601,468</u>
Asset classified as held for sale	<u>51,824</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>51,824</u>
	<u>759,392</u>	<u>9,535</u>	<u>(20,285)</u>	<u>(95,350)</u>	<u>653,292</u>
<b>Current liabilities</b>					
Trade and other payables	58,693	—	—	—	58,693
Bills payable	11,633	—	—	—	11,633
Amount due to the sole shareholder of					
Chief Access	—	9,535	(9,535)	—	—
Tax payable	26,676	—	—	—	26,676
	<u>97,002</u>	<u>9,535</u>	<u>(9,535)</u>	<u>—</u>	<u>97,002</u>
<b>Net current assets</b>	<u>662,390</u>	<u>—</u>	<u>(10,750)</u>	<u>(95,350)</u>	<u>556,290</u>
<b>Total assets less current liabilities</b>	<u>1,511,406</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,511,406</u>
<b>Non-current liabilities</b>					
Deferred taxation	29,857	—	—	—	29,857
<b>Net assets</b>	<u>1,481,549</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,481,549</u>

*Notes:*

- (a) The adjustment reflects: (i) the payment of the consideration of HK\$5,650,000 for the acquisition of the entire issued share capital of Chief Access; (ii) the payment of the estimated professional fee and expenses to be incurred by the Group of HK\$5,100,000, assuming the professional fee and expenses are settled by cash immediately after the completion of the Acquisition and the Property Purchase Agreements; and (iii) the assignment of the shareholder's loan of Chief Access outstanding as at 28 February 2010 amounting to HK\$9,535,000 by way of cash settlement.
- (b) The adjustment represents the reclassification of the deposits paid for the acquisition of the Properties amounting to HK\$9,535,000 and the remaining balances of the acquisition of the Properties amounting to HK\$85,815,000 paid by the Group to vendors of the Properties prior to and upon completion of the Property Purchase Agreements.
- (c) 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) and (b) above and to deconsolidate all the assets and liabilities of Chief Access being acquired as set out in the Unaudited Pro Forma Statement of Assets and Liabilities of the Group. The Unaudited Pro Forma Statement of Assets and Liabilities of the Group after taking into account of these further adjustments will be the same as those of the Group before the Acquisition.



**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”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital of Chief Access Limited (the “Proposed Acquisition”) might have affected the financial information presented, for inclusion in Section 1 of Appendix III to the circular of the Company dated 22 March 2010 in connection with the Proposed Acquisition (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.

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 Group as at 30 September 2009 or any future date.

**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

22 March 2010

**1. WORKING CAPITAL**

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

**2. INDEBTEDNESS**

At the close of business on 28 February 2010, being the latest practicable date for ascertaining this information prior to printing of this circular, the Group had no outstanding borrowings. Its available banking facilities were guaranteed by the Company.

Apart from intra-group liabilities, the Group did not have at the close of business on 28 February 2010 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.

**FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP**

The Company is an investment holding company. As disclosed in the Company's announcement dated 8 December 2009 and the Company's circular dated 29 January 2010 ("Disposal Circular"), the Company disposed of three of its wholly owned subsidiaries all of which were primarily engaged in garment trading (the "Disposal").

Upon completion of the Disposal, the remaining businesses of the Group are mainly property investment and development, securities investment, loan financing and garment distribution business in the United States.

The following sets out the financial and operational prospects of the Group upon completion of the Disposal.

**(i) *Property investment and development***

The property investment and development segments contributed approximately HK\$14,897,000 to the Group's total turnover for the six months ended 30 September 2009 (six months ended 30 September 2008: approximately HK\$15,960,000). As disclosed in the interim report of the Group for the six months ended 30 September 2009, a gain of approximately HK\$72,851,000 attributable to these segments was recorded (six months ended 30 September 2008: loss of approximately HK\$3,208,000) due to the gain arising on changes in fair value of investment properties of approximately HK\$59,103,000. Rental income from properties (which are all located in Hong Kong) increased by 8.2% to approximately HK\$14,746,000 (six months ended 30 September 2008: approximately HK\$13,626,000). As at 30 September 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 87%. The building management fee income was approximately HK\$151,000 (six months ended 30 September 2008: approximately HK\$146,000).

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. During the six months ended 30 September 2009, the Group acquired the remaining one unit of the Prince Edward Road Building at a consideration of HK\$9,500,000 and became the owner of the whole building. The Group intends to re-develop this building.

In October 2009, the Group completed the purchase of all the 6 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) through the acquisition of the entire issued share capital of Kingbest Capital Holdings Limited. The building is adjacent to its Prince Edward Road Building.

The Board intends that both buildings will be redeveloped together with the Building.

The Company 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 G/F, 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 said disposal of property was subsequently completed on 5 October 2009.

On 14 October 2009, the Group entered into two separate conditional sale and purchase agreements with Ms. Lui Yuk Chu, the Vice President and an executive Director of the Company, to acquire three investment properties in Singapore and seven investment properties in Hong Kong at an aggregate consideration of HK\$227,470,000. The acquisitions were approved by the Shareholders at a special general meeting on 21 December 2009. The Board considers that the acquisitions enabled the Group to expand its property investment portfolio and provide the Group with further potential income from property investment.

(ii) *Investment in securities*

The investment in securities segment contributed approximately HK\$28,193,000 to the Group’s profit for the six months ended 30 September 2009 (six months ended 30 September 2008: a loss of approximately HK\$56,968,000). The other comprehensive income in relation to the unrealised gain of the available-for-sale investments amounted to approximately HK\$30,771,000 for the six months ended 30 September 2009 (six months ended 30 September 2008: unrealized loss of approximately HK\$22,922,000). The investment portfolio of the Group is recognised and carried at fair value on the Group’s financial statements. As at 30 September 2009, the investments held for trading amounted to approximately HK\$71,066,000 and the available-for-sale investments amounted to approximately HK\$64,662,000 (as at 30 September 2008: approximately HK\$113,655,000 and HK\$43,355,000 respectively). The realized and unrealized gain in the Group’s investment portfolio during the six months ended 30 September 2009 was mainly attributable to the recovery of the equity markets since the second quarter of 2009.

The management considers that investment in securities does not constitute a major business of the Group and the Group holds and trade securities solely for investment purpose. The Group invests primarily in equity securities listed in Hong Kong and is therefore exposed to equity price risk. For details of the Group's exposure to the equity price risk and its management of this risk, please refer to Note 6(b)(iii) in "Notes to the Financial Information" as contained in Appendix I of this circular.

The Group intends to continue its business of investment in securities and to maintain its investment focus on Hong Kong listed equity securities.

(iii) *Loan financing*

Loan financing contributed approximately HK\$2,542,000 to the profit of the Group for the six months ended 30 September 2009 (six months ended 30 September 2008: approximately HK\$3,288,000). The income from loan financing includes primarily the interest charged to the borrowers. The decrease in interest income was mainly attributable to the change in loan balance, which decreased from approximately HK\$86,068,000 as at 31 March 2009 to approximately HK\$69,700,000, excluding an interest-free advance of approximately HK\$7,410,000 to Kingbest Capital Holdings Limited, as at 30 September 2009 (as at 31 March 2008: approximately HK\$134,083,000).

The Group extends loans to independent third parties located in Hong Kong.

These loans are generally unsecured but are guaranteed by outside parties. The interest rates charged on these loans ranged from 8% to 9% for the six months ended 30 September 2009 (year ended 31 March 2008: 6% to 9.75%). The Group intends to continue with the loan financing business.

(iv) *Garment distribution business in the United States*

Based on the pro-forma consolidated statement of comprehensive income of the Group, adjusted for the total turnover attributable to the property investment business of approximately HK\$16,406,000 for the six months ended 30 September 2009, the garment distribution business in the United States contributed approximately HK\$16,684,000 to the Group's turnover for the six months ended 30 September 2009. Upon the completion of the Disposal, the Group retained its garment distribution business in the United States. As this business has been making loss since the commencement of business in 2001, the Directors are currently considering various options regarding this part of the business. As at the Latest Practicable Date, the Directors did not have any concrete plans and had not made any arrangements or entered into any agreements in relation to the garment distribution business in the United States. The Directors intend that garment distribution business in the United States will not be a major business of the Group.

**MANAGEMENT DISCUSSION AND ANALYSIS OF CHIEF ACCESS**

Chief Access was incorporated on 1 October 2009 under the laws of the British Virgin Islands and has never carried on any business save for entering into the Property Purchase Agreements and Formal SPAs.

Based on the audited financial information of Chief Access, as at 28 February 2010, its net assets was HK\$8. The current assets was HK\$9,535,000 which consisted of deposits paid under the Property Purchase Agreements. The current liabilities consisted of an amount due to the Seller of HK\$9,534,992 and its liabilities under the Property Purchase Agreements and the Formal SPAs. Chief Access financed its operation mainly by loans from the Seller. All loans are unsecured and interest free. Chief Access 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. Chief Access did not have any significant contingent liabilities as at 28 February 2010.

To the best knowledge of the Directors, Chief Access 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 Chief Access.

*The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from **Vigers Appraisal & Consulting Limited**, an independent valuer, in connection with their valuations of the properties as at 31 January 2010.*

**Vigers Appraisal & Consulting Limited**  
*International Asset Appraisal Consultants*  
10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong



22 March 2010

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

Dear Sirs,

**RE: NOS. 311A AND 311C PRINCE EDWARD ROAD WEST, KOWLOON, HONG KONG**

In accordance with your instructions for us to value the properties to be acquired by Easyknit International Holdings Limited and/or its subsidiary (hereinafter referred to as “the Group”), we confirm that we have inspected the properties, conducted land searches at the Land Registry, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of values of the properties as at 31 January 2010 (“the Valuation Date”).

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

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

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

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

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

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

We have not carried out any site surveys to determine the demarcation of the site. No test or investigations have been carried out to determine the stability or suitability of ground conditions or factors which could delay completion of the future development such as archaeological artifacts, contamination, ecological, or environmental considerations. Our valuations assume that the site is sound and no delays will occur in a construction schedule because of the site factor, and that the site has not been contaminated due to the past usage.

We have relied to a considerable extent on the information made available to us and we have accepted advice on such matters as planning approvals, statutory notices, easements, occupancy, tenancy status, tenure, site and floor areas.

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

We enclose herewith our valuation certificates.

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

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



## VALUATION CERTIFICATE

## Properties to be acquired by the Group in Hong Kong for future development

Property	Description and Tenure	Particulars of Occupancy	Market value in Existing state as at 31 January 2010
Nos. 311A and Nos. 311C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong  6/6th parts or shares of and in The Remaining Portion of Section A of Kowloon Inland Lot No. 2978	<p>The properties comprise 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. 311A Prince Edward Road West) and rear units (No. 311C 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 properties are 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\$27,414 per annum.</p>	<p>According to the information provided by the Group, as at 31 January 2010, all the units are owner occupied except Rear Portion of Ground Floor, which is subject to a tenancy agreement to be expired on 15 July 2010 at a monthly rent of HK\$24,000 inclusive of rates and management fees.</p> <p>Two units, Front Portion of Ground and 2nd Floors can be delivered with vacant possession upon completion of sales assignment of sales.</p> <p>Rear Portion of Ground Floor will deliver vacant possession upon expiry of tenancy.</p> <p>The remaining units will be licensed back to the respective owners on monthly basis after completion of sales. Vacant possession can be released at the latest on 10 October 2010.</p>	HK\$101,000,000

*Notes:*

- The registered owners of the properties are as the followings:

Front Portion (No. 311A Prince Edward Road West) of Ground Floor	—	Manor Limited
Rear Portion (No. 311C Prince Edward Road West) of Ground Floor	—	Siu Yip Investment Company Limited
Front Portion (No. 311A Prince Edward Road West) of 1st Floor	—	Sheung Tak Tong Limited

- |   |   |  |
|---|---|--|
| Rear Portion (No. 311C Prince Edward Road West) of 1st Floor  | — | Lau Kwong Wing and Cheng Lai Yin (Joint Tenants) |
| Front Portion (No. 311A Prince Edward Road West) of 2nd Floor | — | Wong Kam Fai                                     |
| Rear Portion (No. 311C Prince Edward Road West) of 2nd Floor  | — | Lee Sum  |
2. All the units are subject to a Deed of Mutual Grants and Covenants registered vide Memorial No. UB2301119 dated 22 November 1954. In addition, the units of Front Portion (311A) and Rear Portion (311C) of Ground Floor and 2nd Floor are also subject to a Deed of Mutual Grants and Covenants registered vide Memorial Nos. UB230122 and UB230125 both dated 22 November 1954.
3. In addition, the individual units are subject to the following encumbrances:
- |  |   |  |
|--|---|--|
| Front Portion (No. 311A Prince Edward Road West) of Ground Floor | — | <ul style="list-style-type: none"> <li>i. Mortgage in favour of Wing Lung Bank Limited registered vide Memorial No. UB6115938 dated 31 August 1994</li> <li>ii. Second Mortgage in favour of Wing Lung Bank Limited registered vide Memorial No. 05061502700037 dated 6 June 2005</li> <li>iii. Order No. UBZ/U29-04/0010/04 by the Building Authority under S.24(1) of the Buildings Ordinance registered vide Memorial No. 07041100390174 dated 23 March 2006<br/>Remarks: Re: Roof &amp; Common Area</li> <li>iv. Agreement For Sale Purchase in favour of Chief Access Limited registered vide Memorial No. 10022302000014 dated 10 February 2010 (Deed Pending Registration)</li> </ul> |
| Rear Portion (No. 311C Prince Edward Road West) of Ground Floor  | — | <ul style="list-style-type: none"> <li>i. Order No. UBZ/U29-04/0010/04 by the Building Authority under S.24(1) of the Buildings Ordinance registered vide Memorial No. 07041100390174 dated 23 March 2006<br/>Remarks: Re: Roof &amp; Common Area</li> <li>ii. Notice No. WCBZ/S202889/04/K-R02 by the Building Authority under S.24C(1) of the Buildings Ordinance registered vide Memorial No. 08112001110026 dated 14 August 2008</li> <li>iii. Provisional Agreement For Sale Purchase in favour of Chief Access Limited registered vide Memorial No. 10022302000027 dated 4 February 2010 (Deed pending registration)</li> </ul>  |
| Front Portion (No. 311A Prince Edward Road West) of 1st Floor    | — | <ul style="list-style-type: none"> <li>i. Order No. C&amp;E 0379/87/K by the Building Authority under S.24(1) of the Buildings Ordinance registered vide Memorial No. UB3604953 dated 6 August 1987</li> </ul>   |

		ii.	Order No. UBZ/U29-04/0010/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial Buildings Ordinance registered vide Memorial No. 07041100390174 dated 23 March 2006 Remarks: Re: Roof & Common Area
		iii.	Agreement For Sale Purchase in favour of Chief Access Limited registered vide Memorial No. 10022302000039 dated 10 February 2010 (Deed pending registration)
Rear Portion (No. 311C Prince Edward Road West) of 1st Floor	—	i	Sealed Copy Charging Order Absolute in favour of Chiu Yu Fong (The Administratrix of estate of Wong Tse Keung deceased) “The Plaintiff”, Lau Kwong Wing “The Defendant” registered vide Memorial Nos. UB7841108, UB9274983 and 09072300380012 all dated 20 July 1999. Remarks: In H.C. Action No. 6099 of 1999
		ii	Order No. UBZ/U29-04/0010/04 by the Building Authority under S.24(1) of the Buildings Ordinance registered vide Memorial No. 07041100390174 dated 23 March 2006 Remarks: Re: Roof & Common Area
		iii	Superseding Order No. CBZ/S2/022098/04/K by the Building Authority under S.24(1) of the Buildings Ordinance registered vide Memorial No. 08082600990067 dated 12 June 2008
		iv	Conditional Provisional Agreement For Sale Purchase in favour of Chief Access Limited registered vide Memorial No. 10022302000045 dated 14 December 2009 (Deed pending registration)
Front Portion (No. 311A Prince Edward Road West) of 2nd Floor	—	i.	Order No. UBZ/U29-04/0010/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. No. 07041100390174 dated 23 March 2006 Remarks: Remarks: Re: Roof & Common Area
		ii.	Superseding Order No. CBZ/S2/022099/04/K by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08082600990057 dated 12 June 2008
		iii.	Agreement For Sale Purchase in favour of Chief Access Limited registered vide Memorial No. 10022302000059 dated 10 February 2010 (Deed pending registration)
Rear Portion (No. 311C Prince Edward Road West) of 2nd Floor	—	i	Order No. UBZ/U29-04/0010/04 by the Building Authority under S.24(1) of the Buildings Ordinance registered vide Memorial No. 07041100390174 dated 23 March 2006 Remarks: Re: Roof & Common Area

- ii Superseding Order No. CBZ/S2/022100/04/K by the Building Authority under S.24(1) of the Buildings Ordinance registered vide Memorial No. 08082600990047 dated 12 June 2008
- iii Agreement For Sale Purchase in favour of Chief Access Limited registered vide Memorial No. 10022302000064 dated 10 February 2010 (Deed pending registration)

4. 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 .....”

5. The properties are 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.

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 Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular concerning the Group, 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:**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of ordinary shares held (long position)</b>	<b>Approximate percentage to issued ordinary shares of the Company</b>
Ms. Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	29,179,480	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*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held (long position)</b>	<b>Approximate percentage of interest</b>
Ms. Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	116,395,325	31.7%

*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	Capacity	Number of non-voting deferred shares (long position)	Approximate percentage of interest
Ms. Lui Yuk Chu	<i>(Note b)</i>	2	100.0%

*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 Group or had any options in respect of such capital are set out below:

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares held (long position)</b>	<b>Approximate percentage of interest</b>
Koon Wing Yee ( <i>Note a</i> )	Interest of spouse	29,179,480	36.74%
Magical Profits Limited ( <i>Notes a and b</i> )	Beneficial owner	29,179,480	36.74%
Accumulate More Profits Limited ( <i>Note a</i> )	Interest of controlled corporation	29,179,480	36.74%
Hang Seng Bank Trustee International Limited ( <i>Notes a and c</i> )	Trustee	29,179,480	36.74%
Hang Seng Bank Limited ( <i>Note c</i> )	Interest of controlled corporation	29,179,480	36.74%
The Hongkong and Shanghai Banking Corporation Limited ( <i>Note c</i> )	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings BV ( <i>Note c</i> )	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings (UK) ( <i>Note c</i> )	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings BV ( <i>Note c</i> )	Interest of controlled corporation	29,179,480	36.74%
HSBC Finance (Netherlands) ( <i>Note c</i> )	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings plc ( <i>Note c</i> )	Interest of controlled corporation	29,179,480	36.74%

*Notes:*

- (a) The 29,179,480 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 29,179,480 Shares by virtue of the SFO.

- (b) Ms. Lui Yuk Chu, being a director of the Company, 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. 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. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

#### **5. LITIGATION**

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

#### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware 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.

#### **7. COMPETING INTERESTS**

Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, the executive Directors of the Company also serve as the executive directors of Easyknit Enterprises, of which the Company is indirectly interested in approximately 31.70% of the issued share capital. Mr. Tse Wing Chiu, Ricky, the non-executive Director of the Company, is also a non-executive director of Easyknit Enterprises. 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, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group and/or Easyknit Enterprises and/or the subsidiaries of Easyknit Enterprises.

The Group has been carrying on property investment and development businesses since 1996. As disclosed in the interim report of Easyknit Enterprises for the six months ended 30 September 2009, Easyknit Enterprises has entered into the property investment business during that financial year. The Directors consider that the property investment business conducted by Easyknit Enterprises will not have material competition with the property investment and development business of the Group as the Group engages in larger scale property investment and development projects, whereas Easyknit Enterprises invests in individual property units for rental income.

## **8. INTEREST IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, to the best of the knowledge of the Directors, other than (i) the acquisition from Ms. Lui Yuk Chu, an executive Director and the Vice President of the Company, of the entire issued share capital of Grow Well Profits Limited and an interest free loan owed by Grow Well Profits Limited to Ms. Lui Yuk Chu for HK\$123,120,000; and (ii) the acquisition from Ms. Lui Yuk Chu of the entire issued share capital of Supertop Investment Limited for HK\$104,350,000, 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 Group.

## **9. MATERIAL CONTRACTS**

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

- (a) the conditional undertaking letter dated 5 November 2008 (“2008 Undertaking”) executed by Landmark Profits Limited (“Landmark Profits”) in favour of Easyknit Enterprises and Get Nice Securities Limited in relation to the allotment and issue of 667,499,000 new shares of Easyknit Enterprises under an offer by way of rights to holders of shares in Easyknit Enterprises at HK\$0.15 per rights share in the proportion of ten rights shares for every share in Easyknit Enterprises held (“2008 EE Rights Issue”) pursuant to which Landmark Profits conditionally undertook, inter alia, that the shares in Easyknit Enterprises held by it on the date of the 2008 Undertaking would remain registered in its name as at 4:00 p.m. on the record date of the 2008 EE Rights Issue (i.e. 24 December 2008) and that the rights shares to be provisionally allotted to Landmark Profits in respect of such shares in Easyknit Enterprises (representing 211,627,870 rights shares) would be taken up and paid for in full by Landmark Profits;

- (b) the conditional undertaking letter dated 17 August 2009 (“2009 Undertaking”) executed by Landmark Profits in favour of Easyknit Enterprises and Kingston Securities Limited in relation to the allotment and issue of 293,699,560 new shares of Easyknit Enterprises under an offer by way of rights to holders of shares in Easyknit Enterprises at HK\$0.38 per rights share in the proportion of 4 rights shares for every share in Easyknit Enterprises held (“2009 EE Rights Issue”) pursuant to which Landmark Profits conditionally undertook, *inter alia*, that the shares in Easyknit Enterprises held by it on the date of the 2009 Undertaking would remain registered in its name as at 4:00 p.m. on the record date of the EE 2009 Rights Issue (i.e. 13 October 2009) and that the rights shares to be provisionally allotted to Landmark Profits in respect of such shares in Easyknit Enterprises (representing 93,116,260 rights shares) would be taken up and paid for in full by Landmark Profits;
- (c) the sale and purchase agreement dated 3 December 2009 entered into between Easyknit Properties and Quick Easy Limited for the sale and purchase of the entire issued share capital of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited; and
- (d) the Agreement.

Save as disclosed, none of the members of the 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.

## 10. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
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, each of the above experts did not have:

- (a) any direct or indirect interest 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 Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which it appears.

## **11. GENERAL**

- (a) the company secretary of the Company is Mr. Chan Po Cheung, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants;
- (b) the 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;
- (c) the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company in Hong Kong is at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (d) the English text of this circular prevails over the Chinese text.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letters of consent referred to in the section headed "Experts and consents" of this appendix;
- (c) the accountants' report from Tony Yuen & Co. on Chief Access, the text of which is set out in Appendix II of this circular;
- (d) the accountants' report from Deloitte on the unaudited pro forma financial information, the text of which is set out in Appendix III of this circular;
- (e) the valuation report from Vigers, the text of which is set out in Appendix V of this circular;

- (f) the audited financial statements of the Company for each of the two years ended 31 March 2009;
- (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;
- (i) the circular of the Company dated 7 August 2009 in respect of a very substantial acquisition in relation to the acquisition of the entire issued share capital of Kingbest Capital Holdings Limited;
- (j) the circular of the Company dated 4 December 2009 in respect of a very substantial acquisition and connected transaction in relation to the acquisition of the entire issued share capital of Grow Well Profits Limited and Supertop Investment Limited;
- (k) the circular of the Company dated 29 January 2010 in respect of a very substantial disposal in relation to the disposal of the garment trading business and a share consolidation; and
- (l) this circular.

*The following is the text of the report about Grow Well Profits Limited received from Tony Yuen & Co., as reproduced from Appendix II of the circular of the Company dated 4 December 2009 in connection with a very substantial acquisition.*

4 December 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 Grow Well Profits Limited (“Grow Well”) for each of the three years ended 31 December 2008 and nine months ended 30 September 2009 (the “Relevant Periods”), for inclusion in the circular of Easyknit International Holdings Limited (the “Company”) dated 4 December 2009 (the “Circular”) in connection with the Company’s proposed acquisition of the entire issued share capital of Grow Well.

Grow Well was incorporated in the British Virgin Islands on 20 April 1994 with limited liability and is principally engaged in property investment.

Throughout the Relevant Periods and as at the date of this report, Grow Well owns three properties in Singapore (“Singapore Properties”).

For the purpose of the preparation of this report, the directors of Grow Well have prepared financial statements of Grow Well in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements for each of the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Grow Well who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In forming our opinion, we have considered the adequacy of the disclosures made in the Financial Information concerning future funding available from the equity holders and continuing profitable operations upon which the validity of preparation of the Financial Information on a going concern basis depends. The Financial Information do not include any adjustments that would result from a failure to obtain such funding or to attain profitable operations. Details of the circumstances relating to this fundamental uncertainty are described in note 19. We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Grow Well as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009 and of the results and cash flows of Grow Well for the Relevant Periods.

The comparative statement of comprehensive income, statement of cash flows and statement of changes in equity of the Grow Well for the nine months ended 30 September 2008 together with the notes thereon (the “30 September 2008 Financial Information”) have been extracted from the Grow Well’s unaudited financial information for the same period which was prepared by the directors of Grow Well solely for the purpose of this report. We have reviewed the 30 September 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the 30 September 2008 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 September 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

## I. FINANCIAL INFORMATION

## Statements of Comprehensive Income

	Notes	Year ended 31 December			Nine months ended	
		2006	2007	2008	30 September	
		HK\$	HK\$	HK\$	2009	2008
						(Unaudited)
Revenue	4	2,032,360	2,569,819	2,677,376	2,211,552	2,006,275
Other income		127,678	3	—	—	—
Administrative expenses		(503,894)	(585,695)	(568,874)	(676,315)	(464,446)
Exchange gains/(losses)	6	9,775,888	5,163,588	(6,067,950)	1,637,236	(560,021)
Fair value gains/(losses) on investment properties		14,236,680	57,054,975	(38,137,680)	7,635,120	(29,760,030)
Finance costs	5	(619,094)	(690,370)	(757,658)	(460,450)	(474,504)
Profit/(loss) before taxation	6	25,049,618	63,512,320	(42,854,786)	10,347,143	(29,252,726)
Taxation	8	(2,940,661)	(10,620,087)	6,741,812	(1,058,385)	5,261,348
Profit/(loss) for the year/period		22,108,957	52,892,233	(36,112,974)	9,288,758	(23,991,378)
Other comprehensive income/(expenses)						
Exchange differences arising on translation to presentation currency		(3,689,612)	(21,905)	766,619	171,106	835,698
Total comprehensive income/(expense) for the year/period		<u>18,419,345</u>	<u>52,870,328</u>	<u>(35,346,355)</u>	<u>9,459,864</u>	<u>(23,155,680)</u>
Profit/(loss) for the year/period attributable to equity holders of Grow Well		<u>22,108,957</u>	<u>52,892,233</u>	<u>(36,112,974)</u>	<u>9,288,758</u>	<u>(23,991,378)</u>
Total comprehensive income/(expense) for the year/period attributable to equity holders of Grow Well		<u>18,419,345</u>	<u>52,870,328</u>	<u>(35,346,355)</u>	<u>9,459,864</u>	<u>(23,155,680)</u>

## Statements of Financial Position

	Notes	As at 31 December			As at 30
		2006	2007	2008	September
		HK\$	HK\$	HK\$	2009
				HK\$	
<b>NON-CURRENT ASSETS</b>					
Investment properties	11	86,263,100	151,469,435	113,575,275	122,980,500
<b>CURRENT ASSETS</b>					
Accounts receivable		—	—	291,357	349,812
Cash and bank balances		251,250	80,121	—	109,831
		251,250	80,121	291,357	459,643
<b>CURRENT LIABILITIES</b>					
Bank overdraft		—	—	81,662	—
Amount due to a director	12	23,619,400	2,903,634	4,312,021	5,935,057
Amounts due to equity holders	12	63,559,221	86,660,480	86,198,883	86,006,677
Rental deposits received		481,044	513,750	782,347	666,828
Tax payable		96,463	127,824	120,040	92,918
Bank loans (secured)	13	28,022,256	27,142,783	30,274,494	28,096,820
		115,778,384	117,348,471	121,769,447	120,798,300
<b>NET CURRENT LIABILITIES</b>					
		(115,527,134)	(117,268,350)	(121,478,090)	(120,338,657)
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	10	2,232,692	12,827,483	6,069,938	7,154,732
<b>NET (LIABILITIES)/ASSETS</b>					
		(31,496,726)	21,373,602	(13,972,753)	(4,512,889)
Represented by:					
ISSUED CAPITAL	14	8	8	8	8
RESERVES		(31,496,734)	21,373,594	(13,972,761)	(4,512,897)
<b>TOTAL EQUITY</b>					
		(31,496,726)	21,373,602	(13,972,753)	(4,512,889)



## Statements of Changes in Equity

	Share capital <i>HK\$</i>	Translation reserve <i>HK\$</i>	(Accumulated losses)/ Retained profits <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1 January 2006	8	—	(49,916,079)	(49,916,071)
Total comprehensive income/(expense) for the year	<u>—</u>	<u>(3,689,612)</u>	<u>22,108,957</u>	<u>18,419,345</u>
Balance at 31 December 2006	8	(3,689,612)	(27,807,122)	(31,496,726)
Total comprehensive income/(expense) for the year	<u>—</u>	<u>(21,905)</u>	<u>52,892,233</u>	<u>52,870,328</u>
Balance at 31 December 2007	8	(3,711,517)	25,085,111	21,373,602
Total comprehensive income/(expense) for the year	<u>—</u>	<u>766,619</u>	<u>(36,112,974)</u>	<u>(35,346,355)</u>
Balance at 31 December 2008	8	(2,944,898)	(11,027,863)	(13,972,753)
Total comprehensive income/(expense) for the period	<u>—</u>	<u>171,106</u>	<u>9,288,758</u>	<u>9,459,864</u>
Balance at 30 September 2009	<u>8</u>	<u>(2,773,792)</u>	<u>(1,739,105)</u>	<u>(4,512,889)</u>
<u>Unaudited</u>				
Balance at 1 January 2008	8	(3,711,517)	25,085,111	21,373,602
Total comprehensive income/(expense) for the period	<u>—</u>	<u>835,698</u>	<u>(23,991,378)</u>	<u>(23,155,680)</u>
Balance at 30 September 2008	<u>8</u>	<u>(2,875,819)</u>	<u>1,093,733</u>	<u>(1,782,078)</u>

## Statements of Cash Flows

	Year ended 31 December			Nine months ended	
	2006	2007	2008	30 September	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
					<i>(Unaudited)</i>
<b>CASH FLOWS FROM OPERATING</b>					
<b>ACTIVITIES</b>					
Profit/(loss) before taxation	25,049,618	63,512,320	(42,854,786)	10,347,143	(29,252,726)
Adjustments for:					
Fair value (gains)/losses on investment					
properties	(14,236,680)	(57,054,975)	38,137,680	(7,635,120)	29,760,030
Interest expenses	619,094	690,370	757,658	460,450	474,504
Exchange differences	(9,775,888)	(5,163,588)	6,067,950	(1,637,236)	560,021
Operating profit before movements in					
working capital	1,656,144	1,984,127	2,108,502	1,535,237	1,541,829
Increase in accounts receivable	—	—	(291,357)	(54,658)	—
Increase/(decrease) in rental deposits					
received	(23,443)	—	270,854	(125,713)	—
<b>NET CASH GENERATED FROM</b>					
<b>OPERATION</b>	1,632,701	1,984,127	2,087,999	1,354,866	1,541,829
Tax paid	—	(555,607)	(130,369)	(117,150)	(72,039)
<b>NET CASH GENERATED FROM</b>					
<b>OPERATING ACTIVITIES</b>	1,632,701	1,428,520	1,957,630	1,237,716	1,469,790
<b>INVESTING ACTIVITIES</b>	—	—	—	—	—
<b>NET CASH GENERATED FROM</b>					
<b>INVESTING ACTIVITIES</b>	—	—	—	—	—

**APPENDIX VII**
**FINANCIAL INFORMATION ABOUT GROW WELL**

	Year ended 31 December			Nine months ended	
	2006	2007	2008	30 September	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
					<i>(Unaudited)</i>
<b>FINANCING ACTIVITIES</b>					
Repayment of bank loan	(2,648,231)	(2,793,671)	(2,756,680)	(2,178,422)	(1,884,118)
Interest paid	(619,094)	(690,370)	(757,658)	(460,450)	(474,504)
Advances from/(to) a director	1,684,223	(22,313,541)	1,424,358	1,557,303	1,014,185
Advances from equity holders	—	24,151,271	—	—	—
<b>NET CASH USED IN FINANCING</b>					
<b>ACTIVITIES</b>	<u>(1,583,102)</u>	<u>(1,646,311)</u>	<u>(2,089,980)</u>	<u>(1,081,569)</u>	<u>(1,344,437)</u>
<b>NET INCREASE/(DECREASE) IN</b>					
<b>CASH AND CASH EQUIVALENTS</b>	49,599	(217,791)	(132,350)	156,147	125,353
<b>CASH AND CASH EQUIVALENTS AT</b>					
<b>BEGINNING OF THE YEAR/PERIOD</b>	153,171	251,250	80,121	(81,662)	80,121
Effect of foreign exchange rates change	48,480	46,662	(29,433)	35,346	(34,187)
<b>CASH AND CASH EQUIVALENTS AT</b>					
<b>END OF THE YEAR/PERIOD</b>	<u>251,250</u>	<u>80,121</u>	<u>(81,662)</u>	<u>109,831</u>	<u>171,287</u>
<b>ANALYSIS OF THE BALANCE OF CASH</b>					
<b>AND CASH EQUIVALENTS</b>					
Cash and bank balances	251,250	80,121	—	109,831	171,287
Bank overdraft	—	—	(81,662)	—	—
	<u>251,250</u>	<u>80,121</u>	<u>(81,662)</u>	<u>109,831</u>	<u>171,287</u>

## II. NOTES ON THE FINANCIAL STATEMENTS

### 1 GENERAL AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Grow Well Profits Limited was incorporated in the British Virgin Islands on 20 April 1994 with limited liability.

The functional currency of Grow Well is Singapore Dollars (“SG\$”) while the Financial Information is presented in Hong Kong Dollars (“HK\$”) which is consistent with the presentation currency of the financial information of the Company and its subsidiaries incorporated in the Circular in connection with the Company’s proposed acquisition of the entire issued share capital of Grow Well.

### 2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA issued a number of new Hong Kong Accounting Standards (“HKAS”s) and HKFRS, Amendments and Interpretations (“INT”s) (hereinafter collectively referred to as “new HKFRS”) which are effective for Grow Well’s financial period beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, Grow Well has adopted all these new HKFRS consistently throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>(1)</sup>
HKFRSs (Amendments)	Improvements to HKFRSs in 2009 <sup>(2)</sup>
HKAS 27 (Revised)	Consolidated the separate financial statements <sup>(1)</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>(1)</sup>
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>(3)</sup>
HKFRS 3 (Revised)	Business combinations <sup>(1)</sup>
HK(IFRIC)— INT 17	Distributions of non-cash assets to owners <sup>(1)</sup>
HK(IFRIC)— INT 18	Transfers of assets from customers <sup>(4)</sup>

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

<sup>(2)</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>(3)</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>(4)</sup> Effective for transfers on or after 1 July 2009.

The directors of Grow Well anticipate the application of the revised standards, amendments and interpretations will have no material impact on the results and the financial position of Grow Well.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the accrual basis of accounting and on the basis that Grow Well is a going concern as discussed in note 19.

The Financial Information has been prepared under the historical cost basis and has been prepared in accordance with the following accounting policies which conform with HKFRS issued by the HKICPA.

#### (a) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. 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.

**(b) Impairment**

At the end of each reporting period, Grow Well reviews the carrying amounts of its tangible assets and intangible 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 recognized as an expense immediately. Where 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 recognized for the asset in prior periods. A reversal of an impairment loss is recognized as income immediately.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand. Bank overdrafts, if any, that are repayable on demand and form an integral part of the cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

**(d) Revenue recognition**

Provided it is probable that the economic benefits will flow to Grow Well and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

**(e) 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 lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

**(f) Financial instruments**

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

***Financial assets***

Grow Well's financial assets comprise of loans and receivables. The accounting policies adopted in respect of each category of financial assets are set out below.

***Effective interest method***

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant periods. 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.

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

#### *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 the end of each reporting period subsequent to initial recognition, loans and receivables (including bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occur after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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-organization.

For financial assets carried at amortized cost, an impairment loss is recognized 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, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized 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 amortized 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 loss was recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by Grow Well 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 Grow Well after deducting all of its liabilities.

#### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. 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 recognized on an effective interest basis.

*Financial liabilities*

Financial liabilities including trade and other payables, amounts due to directors/equity holders and bank loans are subsequently measured at amortized cost, using the effective interest method.

*Equity instruments*

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

*Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Grow Well 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 the cumulative gain or loss that had been recognized directly in other comprehensive income is reclassified to profit or loss.

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

(g) **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.

**(h) Foreign currencies**

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in the profit or loss in the year/period in which they arise.

For the purposes of presenting the Financial Information in HK\$, the assets and liabilities of Grow Well which are stated at functional currency are translated into HK\$ at the exchange rate prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/period in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in the profit or loss in the year/period in which the foreign operation is disposed of.

**(i) Related parties**

For the purposes of these financial statements, parties are considered to be related to Grow Well if Grow Well 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 Grow Well 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 Grow Well where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of Grow Well or of any entity that is a related party of Grow Well.

**4 REVENUE**

Revenue represents the rental income received and receivable from investment properties in Singapore during the Relevant Periods.

**5 FINANCE COSTS**

	Year ended 31 December			Nine months ended	
	2006	2007	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
Bank loan interest - wholly repayable within 5 years	<u>619,094</u>	<u>690,370</u>	<u>757,658</u>	<u>460,450</u>	<u>474,504</u>



**6 PROFIT/(LOSS) BEFORE TAXATION**

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
Profit/(loss) before taxation has been arrived at after charging (crediting):					
Foreign exchange differences, net*	(9,775,888)	(5,163,588)	6,067,950	(1,637,236)	560,021
Fair value (gains)/losses on investment properties	<u>(14,236,680)</u>	<u>(57,054,975)</u>	<u>38,137,680</u>	<u>(7,635,120)</u>	<u>29,760,030</u>

\* The exchange differences arise mainly on translating monetary items at the closing rates at the ends of Reporting Periods.

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

No remuneration was paid to Grow Well's directors during the Relevant Periods and no remuneration was waived by the directors during the Relevant Periods.

**(ii) Employees' remuneration**

No remuneration was paid to employees during the Relevant Periods.

**8 TAXATION**

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
The charge/(credit) comprise:					
Singapore Corporation					
Income tax					
<i>Current tax</i>	93,325	579,453	122,970	89,515	95,457
<i>Deferred taxation</i>	<u>2,847,336</u>	<u>10,040,634</u>	<u>(6,864,782)</u>	<u>968,870</u>	<u>(5,356,805)</u>
	<u>2,940,661</u>	<u>10,620,087</u>	<u>(6,741,812)</u>	<u>1,058,385</u>	<u>(5,261,348)</u>
Calculated at income tax rates of	20%	18%	18%	17%	18%

**9 DIVIDENDS**

The directors of Grow Well do not recommend the payment of any dividend in respect of the Relevant Periods.

**10 DEFERRED TAXATION**

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

	<b>Investment properties</b> <i>HK\$</i>
At 1 January 2006	(652,456)
Credit to statement of comprehensive income	2,847,336
Exchange difference	<u>37,812</u>
At 31 December 2006	2,232,692
Effect of changes in tax rates	(229,262)
Credit to statement of comprehensive income	10,269,896
Exchange difference	<u>554,157</u>
At 31 December 2007	12,827,483
Charge to statement of comprehensive income	(6,864,782)
Exchange difference	<u>107,237</u>
At 31 December 2008	6,069,938
Effect of changes in tax rates	(329,100)
Credit to statement of comprehensive income	1,297,970
Exchange difference	<u>115,924</u>
At 30 September 2009	<u><u>7,154,732</u></u>

**11 INVESTMENT PROPERTIES**

	<i>HK\$</i>
At valuation:	
At 1 January 2006	65,711,640
Increase in fair value recognised in statement of comprehensive income	14,236,680
Exchange difference	<u>6,314,780</u>
At 31 December 2006	86,263,100
Increase in fair value recognised in statement of comprehensive income	57,054,975
Exchange difference	<u>8,151,360</u>
At 31 December 2007	151,469,435
Decrease in fair value recognised in statement of comprehensive income	(38,137,680)
Exchange difference	<u>243,520</u>
At 31 December 2008	113,575,275
Increase in fair value recognised in statement of comprehensive income	7,635,120
Exchange difference	<u>1,770,105</u>
At 30 September 2009	<u><u>122,980,500</u></u>

The investment properties are situated on freehold land in Singapore.

**APPENDIX VII****FINANCIAL INFORMATION ABOUT GROW WELL**

The fair values of the investment properties as at 31 December 2006, 2007, 2008 and 30 September 2009 have been arrived at on the basis of a re-valuation carried out by an independent firm of professional property surveyors not connected with Grow Well, on an open market value basis.

At 31 December 2006, 2007, 2008 and 30 September 2009, all the investment properties were pledged to secure general banking facilities granted to Grow Well (note 13).

**12 AMOUNTS DUE TO EQUITY HOLDERS/A DIRECTOR**

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

The amounts represent:

	As at 31 December			As at
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
				HK\$
Amount due to a director	<u>23,619,400</u>	<u>2,903,634</u>	<u>4,312,021</u>	<u>5,935,057</u>
Amounts due to Accumulate More Profits Limited (US\$8,162,200)	63,559,221	63,992,475	63,530,878	63,338,672
Amounts due to Hang Seng Bank Trustee International Limited	<u>—</u>	<u>22,668,005</u>	<u>22,668,005</u>	<u>22,668,005</u>
	<u>63,559,221</u>	<u>86,660,480</u>	<u>86,198,883</u>	<u>86,006,677</u>

As at the date of this report, the one ordinary share of US\$1 (representing 100% equity interest in the share capital of Grow Well) is registered in the name of Accumulate More Profits Limited, which in turn is wholly-owned by Hang Seng Bank Trustee International Limited for the benefit of a discretionary trust the beneficiaries of which include Ms. Lui Yuk Chu, a director of the Company, and certain of her family members other than her spouse.

**13 BANK LOANS (SECURED)**

	As at 31 December			As at
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
				HK\$
Outstanding amount	28,022,256	27,142,783	30,274,494	28,096,820
Less: Current portion due within one year included under current liabilities	<u>28,022,256</u>	<u>27,142,783</u>	<u>30,274,494</u>	<u>28,096,820</u>
Non-current portion	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Grow Well's bank loans were secured by the pledge of its investment properties (note 11).

## 14 ISSUED CAPITAL

	Share capital HK\$
At 1 January 2006, 31 December 2006, 2007 and 2008 and 30 September 2009	<u>8</u>

There were no changes in Grow Well's issued capital during the Relevant Periods.

## 15 OPERATING LEASE COMMITMENTS

At the balance sheet dates, Grow Well had contracted with tenants for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	As at 31 December			As at
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	HK\$
Within 1 year	2,502,645	2,224,352	2,136,618	3,279,480
In the second to fifth year inclusive	2,082,746	—	1,785,911	650,430
After 5 years	—	—	—	—
	<u>4,585,391</u>	<u>2,224,352</u>	<u>3,922,529</u>	<u>3,929,910</u>

## 16 SHARE SALE AGREEMENT

Ms. Lui Yuk Chu, a director of the Company, (the "Seller") entered into an agreement with Easykmit Properties Holdings Limited ("Easykmit Properties"), a wholly owned subsidiary of the Company, to sell the entire share holding in Grow Well and the two shareholders' loans in the amounts of US\$8,162,200 and HK\$22,668,005 mentioned in note 12 to Easykmit Properties at the consideration of HK\$123,120,000 on 14 October 2009("Grow Well Agreement"). HK\$49,248,000 was paid by way of deposit under the Grow Well Agreement to the Seller ("Grow Well Deposit").

Completion of the Grow Well Agreement is conditional upon the fulfillment of the following conditions on or prior to 31 December 2009 (or such later date as may be agreed between the Easykmit Properties and the Seller):

- (a) the passing by the requisite majority of the independent shareholders of the Company in general meeting of all resolutions required under the Listing Rules (if any) to approve the transactions contemplated under the Grow Well Agreement;
- (b) the Seller having obtained confirmation letters from the mortgagee banks showing the redemption amounts payable to them at completion of the Grow Well Agreement for the discharge and release in full of the mortgages on the Singapore Properties; and
- (c) all consents, approvals or waivers of rights of the shareholders of Grow Well (if required), any relevant governmental authorities, regulatory bodies, financial institutions or other relevant third parties in Hong Kong or elsewhere which are required for the entry into and the implementation of the Grow Well Agreement having been obtained, all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required for the entering into and the implementation of the Grow Well Agreement having been made.

If any of the conditions precedent have not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing) or (except for condition (a), which cannot be waived) waived by Easyknit Properties in writing, then the Grow Well Agreement shall thereupon terminate and the Seller shall within three business days thereafter refund the Grow Well Deposit to Easyknit Properties together with interest at the Prime Rate from and including the date of the Grow Well Agreement to and excluding the date of refund and none of the parties to the Grow Well Agreement shall have any further claims against each other for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims.

## 17 CAPITAL RISK MANAGEMENT

Grow Well manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. Grow Well's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Grow Well consists of debts, which includes bank loans, and equity attributable to equity holders of Grow Well, comprising paid in capital and reserves.

The management of Grow Well reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, Grow Well will balance its overall structure through the raising of new debts or the redemption of existing debts.

## 18 FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	As at 31 December			As at
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Financial assets				
Loans and receivable (including cash and cash equivalents)	<u>251,250</u>	<u>80,121</u>	<u>291,357</u>	<u>459,643</u>
Financial liabilities				
Amortized cost	<u>115,200,877</u>	<u>116,706,897</u>	<u>120,785,398</u>	<u>120,038,554</u>

### (b) Financial risk management objectives and policies

Major financial assets and liabilities of Grow Well include cash and bank balances, amounts due to equity holders/a director and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (i) Foreign currency risk

Grow Well is exposed to foreign currency risk mainly from the bank loans denominated in currencies other than Grow Well's functional currency.

The following table demonstrates the sensitivity at the balance sheet dates to a reasonably possible change in the exchange rates, with all other variables held constant, of Grow Well's profit/loss before tax (due to changes in fair value of monetary assets and liabilities).

	Changes in exchange rates	Increase/decrease in profit/loss before tax			Total
		Japanese Yen	United States Dollars	Hong Kong Dollars	
	%	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
2006					
If Singapore Dollar strengthens against	5	1,401	3,178	1,097	5,676
2007					
If Singapore Dollar strengthens against	5	1,357	3,200	1,170	5,727
2008					
If Singapore Dollar strengthens against	5	1,514	3,177	1,170	5,861
2009					
If Singapore Dollar strengthens against	5	1,405	3,164	1,170	5,739

If Singapore Dollar weakens against the above foreign currencies, there will be opposite effect to Grow Well's profit/loss.

The analysis is prepared by using certain assumptions on a hypothetical situation. In reality, market exchange rates would not change in isolation. In management's opinion, the analysis is used for reference purpose and should not be considered a projection of future profits or losses.

(ii) **Interest rate risk**

Grow Well is exposed to interest rate risk mainly from its bank balances and bank loans. Bank loans at variable interest rates expose Grow Well to fair value interest rate risk and cash flow interest rate risk respectively. Grow Well currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

*Sensitivity analysis*

Grow Well's sensitivity to interest rate risk has been determined based on the exposure to interest rate risk relating to the variable rate bank loans outstanding at the end of each reporting period. No sensitivity analysis is performed for bank balances as the fluctuation of interest rate on bank balances is considered not significant.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, Grow Well's profit would have been decreased/increased by approximately HK\$140,000, HK\$136,000 and HK\$141,000 for the year ended 31 December 2006 and 2007 and the nine months ended 30 September 2009 respectively and the loss would have been increased/decreased by approximately HK\$152,000 for the year ended 31 December 2008.

The analysis is prepared by using certain assumptions on a hypothetical situation. In reality, market interest rates would not change in isolation. In management's opinion, the analysis is used for reference purpose and should not be considered a projection of future profits or losses.

(iii) *Credit risk*

Grow Well's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of each reporting period in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the statement of financial position.

The credit risk for bank deposits is considered minimal as such amounts are placed in banks with high credit ratings.

(iv) *Liquidity risk*

In the management of the liquidity risk, Grow Well monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Grow Well's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and amounts due to equity holders and ensures compliance with loan covenants.

## **19 GOING CONCERN**

Notwithstanding the net current liabilities at 31 December 2006, 2007 and 2008 and 30 September 2009, the Financial Information has been prepared on a going concern basis on the strength of the equity holders' confirmation that they will provide such financial support as is necessary to maintain Grow Well as a going concern and on the assumption of future profitable operations of Grow Well.

There can be no certainty, however, in relation to the future financial status of the equity holders nor to the profitability of Grow Well's operation in future. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of the assets to their recoverable amounts and to provide for any further liabilities which might arise.

## **20 RELATED PARTY TRANSACTIONS**

Apart from those disclosed elsewhere, Grow Well had no other transactions with related parties during the Relevant Periods.

## **21 SUBSEQUENT EVENTS**

Subsequent to 30 September 2009, under a sale and purchase agreement dated 22 October 2009, Accumulated More Profits Limited sold the entire issued share capital of Grow Well and the debt of US\$8,162,200 to Ms. Lui Yuk Chu. Under a deed of assignment of debt dated 22 October 2009, Hang Seng Bank Trustee International Limited assigned the debt of HK\$22,668,005 in favour of Ms. Lui Yuk Chu. Other than the two debts of US\$8,162,200 and HK\$22,668,005 due to Ms. Lui Yuk Chu, who became the sole equity holder of Grow Well with effect from 22 October 2009, any remaining amount due to Ms. Lui Yuk Chu will be waived by her on or before the completion of Grow Well Agreement.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Grow Well have been prepared in respect of any period subsequent to 30 September 2009.

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



*The following is the text of the report about Supertop Investment Limited and its subsidiary received from Tony Yuen & Co., as reproduced from Appendix III of the circular of the Company dated 4 December 2009 in connection with a very substantial acquisition.*

4 December 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 Supertop Investment Limited (“Supertop”) and its subsidiary (hereinafter collectively referred to as the “Supertop Group”) for each of the three years ended 31 March 2009 and six months ended 30 September 2009 (the “Relevant Periods”), for inclusion in the circular of Easyknit International Holdings Limited (the “Company”) dated 4 December 2009 (the “Circular”) in connection with the Company’s proposed acquisition of the entire issued share capital of Supertop.

Supertop was incorporated in the British Virgin Islands on 2 January 2002 with limited liability and is principally engaged in property investment.

Throughout the Relevant Periods and as at the date of this report, Supertop has 100% direct equity interests in Goldchamp International Limited which owns seven properties in Hong Kong (“Hong Kong Properties”).

For the purpose of the preparation of this report, the directors of Supertop have prepared consolidated financial statements of Suptertop Group in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements for each of the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Supertop who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In forming our opinion, we have considered the adequacy of the disclosures made in the Financial Information concerning future funding available from the sole equity holder and continuing profitable operations upon which the validity of preparation of the Financial Information on a going concern basis depends. The Financial Information do not include any adjustments that would result from a failure to obtain such funding or to attain profitable operations. Details of the circumstances relating to this fundamental uncertainty are described in note 22. We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Supertop Group and Supertop as at 31 March 2007, 31 March 2008, 31 March 2009 and 30 September 2009 and of the consolidated results and consolidated cash flows of Supertop Group for the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Supertop Group for the six months ended 30 September 2008 together with the notes thereon (the “30 September 2008 Financial Information”) have been extracted from the Supertop Group’s unaudited consolidated financial information for the same period which was prepared by the directors of the Supertop solely for the purpose of this report. We have reviewed the 30 September 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the 30 September 2008 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 September 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

## I. FINANCIAL INFORMATION

## Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 March			Six months ended 30 September	
		2007 HK\$	2008 HK\$	2009 HK\$	2009 HK\$	2008 HK\$
						(Unaudited)
Revenue	4	312,000	341,806	378,881	181,800	198,000
Other income		100	7,354	1,605	92	—
Administrative expenses		(483,157)	(579,101)	(529,819)	(255,855)	(255,074)
Fair value gains/(losses) on investment properties		3,045,190	8,500,000	(487,435)	25,000,000	(977,460)
Finance costs	5	<u>(582,852)</u>	<u>(239,169)</u>	<u>(1,362,159)</u>	<u>(1,376,444)</u>	<u>(512,215)</u>
Profit/(loss) before taxation	6	2,291,281	8,030,890	(1,998,927)	23,549,593	(1,546,749)
Taxation	8	<u>(420,000)</u>	<u>(1,410,000)</u>	<u>1,550,000</u>	<u>(3,890,000)</u>	<u>2,130,000</u>
Profit/(loss) for the year/ period		<u>1,871,281</u>	<u>6,620,890</u>	<u>(448,927)</u>	<u>19,659,593</u>	<u>583,251</u>
Other comprehensive income/ (expense) for the year/ period, net of tax		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income/ (expense) for the year/ period		<u>1,871,281</u>	<u>6,620,890</u>	<u>(448,927)</u>	<u>19,659,593</u>	<u>583,251</u>
Profit/(loss) for the year/ period attributable to the sole equity holder of Supertop		<u>1,871,281</u>	<u>6,620,890</u>	<u>(448,927)</u>	<u>19,659,593</u>	<u>583,251</u>
Total comprehensive income/ (expense) for the year/ period attributable to the sole equity holder of Supertop		<u>1,871,281</u>	<u>6,620,890</u>	<u>(448,927)</u>	<u>19,659,593</u>	<u>583,251</u>

## Consolidated Statements of Financial Position

	Notes	As at 31 March			As at 30
		2007 HK\$	2008 HK\$	2009 HK\$	September 2009 HK\$
<b>NON-CURRENT ASSETS</b>					
Investment properties	11	48,150,000	56,650,000	79,350,000	104,350,000
Property, plant and equipment	12	67,703	20,198	—	—
		<u>48,217,703</u>	<u>56,670,198</u>	<u>79,350,000</u>	<u>104,350,000</u>
<b>CURRENT ASSETS</b>					
Amount due from the sole equity holder	13	—	—	4,150,547	2,100,639
Deposits		46,922	40,322	71,466	71,866
Cash and bank balances		1,908,591	12,452	1,591	1,291
		<u>1,955,513</u>	<u>52,774</u>	<u>4,223,604</u>	<u>2,173,796</u>
<b>CURRENT LIABILITIES</b>					
Bank overdraft		—	—	29,928,483	29,917,564
Amount due to the sole equity holder	13	24,022,953	30,429,953	—	—
Rental deposits received		75,000	85,500	77,400	77,400
Deposit received on sale of property		—	2,398,000	—	—
Accrued expenses and other payable		150,781	13,671	270,800	257,700
Bank loans (secured)	14	9,749,525	—	1,167,109	1,184,925
		<u>33,998,259</u>	<u>32,927,124</u>	<u>31,443,792</u>	<u>31,437,589</u>
<b>NET CURRENT LIABILITIES</b>		<u>(32,042,746)</u>	<u>(32,874,350)</u>	<u>(27,220,188)</u>	<u>(29,263,793)</u>
<b>NON-CURRENT LIABILITIES</b>					
Bank loans (secured)	14	409,999	—	30,332,891	29,739,693
Deferred tax liabilities	16	2,690,000	4,100,000	2,550,000	6,440,000
		<u>3,099,999</u>	<u>4,100,000</u>	<u>32,882,891</u>	<u>36,179,693</u>
<b>NET ASSETS</b>		<u>13,074,958</u>	<u>19,695,848</u>	<u>19,246,921</u>	<u>38,906,514</u>
Represented by:					
ISSUED CAPITAL	15	8	8	8	8
<b>RESERVES</b>		<u>13,074,950</u>	<u>19,695,840</u>	<u>19,246,913</u>	<u>38,906,506</u>
<b>TOTAL EQUITY</b>		<u>13,074,958</u>	<u>19,695,848</u>	<u>19,246,921</u>	<u>38,906,514</u>

## Statements of Financial Position

	<i>Notes</i>	As at 31 March		As at 30 September	
		2007	2008	2009	2009
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
INVESTMENT IN A SUBSIDIARY	10	10,000	10,000	10,000	10,000
CURRENT ASSETS		—	—	—	—
CURRENT LIABILITIES					
Amount due to the sole equity holder	13	92	92	92	—
Amount due to a subsidiary	10	35,840	40,520	45,200	49,880
		35,932	40,612	45,292	49,880
NET CURRENT LIABILITIES		(35,932)	(40,612)	(45,292)	(49,880)
NET LIABILITIES		(25,932)	(30,612)	(35,292)	(39,880)
Represented by:					
ISSUED CAPITAL	15	8	8	8	8
ACCUMULATED LOSSES		(25,940)	(30,620)	(35,300)	(39,888)
CAPITAL AND DEFICITS		(25,932)	(30,612)	(35,292)	(39,880)

## Consolidated Statements of Changes in Equity

	<b>Share capital</b> <i>HK\$</i>	<b>Retained profits</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Balance at 1 April 2006	8	11,203,669	11,203,677
Total comprehensive income/(expense) for the year	<u>—</u>	<u>1,871,281</u>	<u>1,871,281</u>
Balance at 31 March 2007	8	13,074,950	13,074,958
Total comprehensive income/(expense) for the year	<u>—</u>	<u>6,620,890</u>	<u>6,620,890</u>
Balance at 31 March 2008	8	19,695,840	19,695,848
Total comprehensive income/(expense) for the year	<u>—</u>	<u>(448,927)</u>	<u>(448,927)</u>
Balance at 31 March 2009	8	19,246,913	19,246,921
Total comprehensive income/(expense) for the period	<u>—</u>	<u>19,659,593</u>	<u>19,659,593</u>
Balance at 30 September 2009	<u>8</u>	<u>38,906,506</u>	<u>38,906,514</u>
<u>Unaudited</u>			
Balance at 1 April 2008	8	19,695,840	19,695,848
Total comprehensive income/(expense) for the period	<u>—</u>	<u>583,251</u>	<u>583,251</u>
Balance at 30 September 2008	<u>8</u>	<u>20,279,091</u>	<u>20,279,099</u>

## Consolidated Statements of Cash Flows

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
					(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before taxation	2,291,281	8,030,890	(1,998,927)	23,549,593	(1,546,749)
Adjustments					
Depreciation	55,995	47,505	1,836	—	3,673
Write-off of leasehold improvement	—	—	18,362	—	16,526
Fair value (gains)/losses on investment properties	(3,045,190)	(8,500,000)	487,435	(25,000,000)	977,460
Finance costs	582,852	239,169	1,362,159	1,376,444	512,215
Operating profit/(loss) before movements in working capital	(115,062)	(182,436)	(129,135)	(73,963)	(36,875)
(Increase)/decrease in deposits	(6,600)	6,600	(31,144)	(400)	2,620
Decrease in prepayment	4,000	—	—	—	—
Increase/(decrease) in rental deposits received	7,000	10,500	(8,100)	—	—
Increase/(decrease) in deposit received on sale of property	—	2,398,000	(2,398,000)	—	(2,398,000)
Increase/(decrease) in accrued charges and interest payable	128,259	(137,110)	257,129	(13,100)	(4,171)
<b>NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES</b>	<b>17,597</b>	<b>2,095,554</b>	<b>(2,309,250)</b>	<b>(87,463)</b>	<b>(2,436,426)</b>
<b>INVESTING ACTIVITIES</b>					
Net proceeds from disposal of investment properties	1,846,900	—	23,822,540	—	23,822,540
Purchase of investment properties	(1,921,710)	—	(47,009,975)	—	—
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(74,810)</b>	<b>—</b>	<b>(23,187,435)</b>	<b>—</b>	<b>23,822,540</b>

**APPENDIX VIII**
**FINANCIAL INFORMATION ABOUT THE SUPERTOP GROUP**

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
<i>(Unaudited)</i>					
<b>FINANCING ACTIVITIES</b>					
Repayment of mortgage loans	(339,575)	(769,524)	—	—	—
Repayment of bank loans	(10,000)	(9,390,000)	—	(575,382)	—
Interest paid	(582,852)	(239,169)	(1,362,159)	(1,376,444)	(512,215)
Proceeds from new loan	—	—	31,500,000	—	—
Advances from/(to) the sole equity holder	2,830,000	6,407,000	(34,580,500)	2,049,908	(50,848,000)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<u>1,897,573</u>	<u>(3,991,693)</u>	<u>(4,442,659)</u>	<u>98,082</u>	<u>(51,360,215)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,840,360</u>	<u>(1,896,139)</u>	<u>(29,939,344)</u>	<u>10,619</u>	<u>(29,974,101)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD</b>	<u>68,231</u>	<u>1,908,591</u>	<u>12,452</u>	<u>(29,926,892)</u>	<u>12,452</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD</b>	<u>1,908,591</u>	<u>12,452</u>	<u>(29,926,892)</u>	<u>(29,916,273)</u>	<u>(29,961,649)</u>
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances	1,908,591	12,452	1,591	1,291	1,591
Bank overdraft	—	—	(29,928,483)	(29,917,564)	(29,963,240)
	<u>1,908,591</u>	<u>12,452</u>	<u>(29,926,892)</u>	<u>(29,916,273)</u>	<u>(29,961,649)</u>



**II. NOTES ON THE FINANCIAL STATEMENTS****1 GENERAL AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

Supertop was incorporated in the British Virgin Islands on 2 January 2002 with limited liability.

The Financial Information incorporate the financial information of Supertop and its subsidiary.

The functional currency of Supertop Group is Hong Kong dollars (“HK\$”) which is consistent with the presentation currency of the financial information of the Company and its subsidiaries incorporated in the Circular in connection with the Company’s proposed acquisition of the entire issued share capital of Supertop.

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

The HKICPA issued a number of new Hong Kong Accounting Standards (“HKAS”s) and HKFRS, Amendments and Interpretations (“INT”s) (hereinafter collectively referred to as “new HKFRS”) which are effective for Supertop Group’s financial period beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, Supertop Group has adopted all these new HKFRS consistently throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>(1)</sup>
HKFRSs (Amendments)	Improvements to HKFRSs in 2009 <sup>(2)</sup>
HKAS 27 (Revised)	Consolidated the separate financial statements <sup>(1)</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>(1)</sup>
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>(3)</sup>
HKFRS 3 (Revised)	Business combinations <sup>(1)</sup>
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners <sup>(1)</sup>
HK(IFRIC) — INT 18	Transfers of assets from customers <sup>(4)</sup>

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

<sup>(2)</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>(3)</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>(4)</sup> Effective for transfers on or after 1 July 2009.

The directors of Supertop anticipate the application of the revised standards, amendments and interpretations will have no material impact on the results and the financial position of Supertop Group.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared under the accrual basis of accounting and on the basis that Supertop Group is a going concern as discussed in note 22.

The Financial Information has been prepared under the historical cost basis and has been prepared in accordance with the following accounting policies which conform with HKFRS issued by the HKICPA.

**(a) Basis of consolidation**

The consolidated financial statements incorporate the financial information of Supertop and its subsidiary.

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

**(b) Investment in a subsidiary**

Investment in a subsidiary is stated at cost less any identified impairment loss in the statement of financial position of Supertop.

**(c) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. 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.

**(d) Property, plant and equipment**

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses see note 3(e).

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives on the bases or at the annual rates set out below.

- Leasehold improvements	20%
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An item of fixed asset is derecognized 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 proceed and the carrying amount of the item) is included in the consolidated statements of comprehensive income in the year/period in which the item is derecognized.

**(e) Impairment**

At the end of each reporting period, Supertop Group reviews the carrying amounts of its tangible assets and intangible 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 recognized as an expense immediately. Where 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 recognized for the asset in prior periods. A reversal of an impairment loss is recognized as income immediately.

(f) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand. Bank overdrafts, if any, that are repayable on demand and form an integral part of the cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) **Revenue recognition**

Provided it is probable that the economic benefits will flow to Supertop Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

(h) **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 lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(i) **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.

(j) **Foreign currencies**

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in the profit or loss in the year/period in which they arise.

(k) **Financial instruments**

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

*Financial assets*

Supertop Group's financial assets comprise of loans and receivables. The accounting policies adopted in respect of each category of financial assets are set out below.

*Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant periods. 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.

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

*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 the end of each reporting period subsequent to initial recognition, loans and receivables (including amounts due from equity holders, trade and other receivables and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occur after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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-organization.

For financial assets carried at amortized cost, an impairment loss is recognized 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, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized 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 amortized 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 loss was recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

#### ***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 Supertop Group after deducting all of its liabilities.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. 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 recognized on an effective interest basis.

#### ***Financial liabilities***

Financial liabilities including trade and other payables, amounts due to equity holder and bank loans are subsequently measured at amortized cost, using the effective interest method.

#### ***Equity instruments***

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

***Derecognition***

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Supertop 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 the cumulative gain or loss that had been recognized directly in other comprehensive income is reclassified to profit or loss.

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

**(l) Related parties**

For the purposes of these financial statements, parties are considered to be related to Supertop Group if Supertop Group 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 Supertop Group 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 Supertop Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of Supertop Group or of any entity that is a related party of Supertop Group.

**4 REVENUE**

Revenue represents the rental income received and receivable from investment properties in Hong Kong during the Relevant Periods.

**5 FINANCE COSTS**

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
Interest on					
- bank loans wholly repayable within 5 years	582,852	239,169	1,362,159	903,637	512,215
- other bank loans	—	—	—	472,807	—
	<u>582,852</u>	<u>239,169</u>	<u>1,362,159</u>	<u>1,376,444</u>	<u>512,215</u>

**6 PROFIT/(LOSS) BEFORE TAXATION**

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
Profit/(loss) before taxation has been arrived at after charging (crediting):					
Auditors' remuneration	7,200	7,700	7,700	—	—
Depreciation for property, plant and equipment	55,995	47,505	1,836	—	3,673
Fair value (gains)/losses on investment properties	<u>(3,045,190)</u>	<u>(8,500,000)</u>	<u>487,435</u>	<u>(25,000,000)</u>	<u>977,460</u>

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

No remuneration was paid to directors during the Relevant Periods and no remuneration was waived by the directors during the Relevant Periods.

**(ii) Employees' remuneration**

No remuneration was paid to employees of Supertop Group during the Relevant Periods.

**8 TAXATION****Current tax**

No provision for current tax has been made as Supertop and its subsidiary had no assessable profits for the Relevant Periods.

**Deferred taxation (Note 16)**

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$
Tax charge/(credit)	<u>420,000</u>	<u>1,410,000</u>	<u>(1,550,000)</u>	<u>3,890,000</u>	<u>(2,130,000)</u>
Calculated at Profits Tax rates of	<u>17.5%</u>	<u>17.5%</u>	<u>16.5%</u>	<u>16.5%</u>	<u>16.5%</u>

**9 DIVIDENDS**

The directors of Supertop do not recommend the payment of any dividend in respect of the Relevant Periods.

## 10 INVESTMENT IN A SUBSIDIARY/AMOUNT DUE TO A SUBSIDIARY

## Supertop

Name of subsidiary	Place of incorporation	Class of share held	Percentage of equity interest	Principle activities
Goldchamp International Limited	Hong Kong	Ordinary	100% direct	Property investment

	As at 2007 HK\$	As at 31 March 2008 HK\$	2009 HK\$	As at 30 September 2009 HK\$
Unlisted shares, at cost	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

Amount due to a subsidiary is unsecured, interest-free and without fixed repayment terms.

## 11 INVESTMENT PROPERTIES

	Supertop Group HK\$
At valuation:	
At 1 April 2006	45,030,000
Additions	1,921,710
Disposals	(1,846,900)
Increase in fair value	<u>3,045,190</u>
At 31 March 2007	48,150,000
Increase in fair value	<u>8,500,000</u>
At 31 March 2008	56,650,000
Additions	47,009,975
Disposals	(23,822,540)
Decrease in fair value	<u>(487,435)</u>
At 31 March 2009	79,350,000
Increase in fair value	<u>25,000,000</u>
At 30 September 2009	<u>104,350,000</u>

The investment properties are situated in Hong Kong under medium-term leases.

The fair values of the investment properties as at 31 March 2007, 2008, 2009 and 30 September 2009 have been arrived at on the basis of a re-valuation carried out by an independent firm of professional property surveyors not connected with Supertop Group, on an open market value basis.

Supertop Group's investment properties with carrying values of HK\$39,950,000, HK\$79,350,000 and HK\$104,350,000 were pledged to banks for general banking facilities granted to Supertop Group at 31 March 2007, 2009 and 30 September 2009 respectively (note 14).



## 12 PROPERTY, PLANT AND EQUIPMENT

	Supertop Group Leasehold improvement HK\$
Cost:	
At 1 April 2006	750,478
Additions	<u>—</u>
At 31 March 2007	750,478
Additions	<u>—</u>
At 31 March 2008	750,478
Additions	—
Disposals	<u>(580,678)</u>
At 31 March 2009	169,800
Additions	<u>—</u>
At 30 September 2009	<u>169,800</u>
Aggregate depreciation:	
At 1 April 2006	626,780
Charge for the year	<u>55,995</u>
At 31 March 2007	682,775
Charge for the year	<u>47,505</u>
At 31 March 2008	730,280
Charge for the year	1,836
Written back on disposals	<u>(562,316)</u>
At 31 March 2009	169,800
Charge for the period	<u>—</u>
At 30 September 2009	<u>169,800</u>
Net carrying amount:	
At 31 March 2007	<u>67,703</u>
At 31 March 2008	<u>20,198</u>
At 31 March 2009	<u>—</u>
At 30 September 2009	<u>—</u>

## 13 AMOUNT DUE FROM/TO THE SOLE EQUITY HOLDER

## Supertop Group and Supertop

The amounts were unsecured, interest-free and without fixed repayment terms.

## 14 BANK LOANS (SECURED)

	Supertop Group			
		As at 31 March		As at
		2007	2008	30 September
		HK\$	HK\$	2009 HK\$
Outstanding amount	10,159,524	—	31,500,000	30,924,618
Less: Current portion due within one year included under current liabilities	<u>9,749,525</u>	<u>—</u>	<u>1,167,109</u>	<u>1,184,925</u>
Non-current portion	<u>409,999</u>	<u>—</u>	<u>30,332,891</u>	<u>29,739,693</u>

The non-current portion of the loans is further analysed as follows:

	Supertop Group			
		As at 31 March		As at
		2007	2008	30 September
		HK\$	HK\$	2009 HK\$
Amount repayable:				
After 1 year but within 2 years	378,861	—	1,202,662	1,220,966
After 2 years but within 5 years	31,138	—	3,831,888	3,890,205
After 5 years	<u>—</u>	<u>—</u>	<u>25,298,341</u>	<u>24,628,522</u>
	<u>409,999</u>	<u>—</u>	<u>30,332,891</u>	<u>29,739,693</u>

(a) The bank loans outstanding at 31 March 2007 were fully repaid in the year ended 31 March 2008.

(b) The above bank loans were secured by the pledge of investment properties of Supertop Group (note 11).

## 15 ISSUED CAPITAL

	Share capital HK\$
At 1 April 2006, 31 March 2007, 2008 and 2009 and 30 September 2009	<u>8</u>

There were no changes in Supertop's issued capital during the Relevant Periods.

## 16 DEFERRED TAXATION

## Supertop Group

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

	<b>Accelerated tax depreciation</b>	<b>Investment properties</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2006	140,000	2,750,000	(620,000)	2,270,000
Charge/(credit) to consolidated statement of comprehensive income	<u>30,000</u>	<u>550,000</u>	<u>(160,000)</u>	<u>420,000</u>
At 31 March 2007	170,000	3,300,000	(780,000)	2,690,000
Charge/(credit) to consolidated statement of comprehensive income	<u>30,000</u>	<u>1,490,000</u>	<u>(110,000)</u>	<u>1,410,000</u>
At 31 March 2008	200,000	4,790,000	(890,000)	4,100,000
Effect of changes in tax rates	(10,000)	(270,000)	50,000	(230,000)
Transfer to consolidated statement of comprehensive income upon disposal of investment property	—	(1,680,000)	—	(1,680,000)
Charge/(credit) to consolidated statement of comprehensive income	<u>520,000</u>	<u>270,000</u>	<u>(430,000)</u>	<u>360,000</u>
At 31 March 2009	710,000	3,110,000	(1,270,000)	2,550,000
Charge/(credit) to consolidated statement of comprehensive income	<u>170,000</u>	<u>4,130,000</u>	<u>(410,000)</u>	<u>3,890,000</u>
At 30 September 2009	<u>880,000</u>	<u>7,240,000</u>	<u>(1,680,000)</u>	<u>6,440,000</u>

## 17 OPERATING LEASE COMMITMENTS

At the end of each reporting periods, Supertop Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>30 September</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within 1 year	209,000	396,000	363,600	363,600
In the second to fifth year inclusive	—	425,250	249,789	67,989
After 5 years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>209,000</u>	<u>821,250</u>	<u>613,389</u>	<u>431,589</u>

**18 SHARE SALE AGREEMENT**

Supertop's sole equity holder (the "Seller") entered into an agreement with Easyknit Properties Holdings Limited ("Easyknit Properties"), a wholly owned subsidiary of the Company, to sell her entire share holding in Supertop to Easyknit Properties at the consideration of HK\$104,350,000 on 14 October 2009 ("Supertop Agreement"). HK\$41,740,000 was paid by way of deposit under the Supertop Agreement to the Seller ("Supertop Deposit").

Completion of the Supertop Agreement is conditional upon the fulfillment of the following conditions on or prior to 31 December 2009 (or such later date as may be agreed between Easyknit Properties and the Seller):

- (a) the passing by the requisite majority of the independent shareholders of the Company in general meeting of all resolutions required under the Listing Rules (if any) to approve the transactions contemplated under the Supertop Agreement;
- (b) the Seller having obtained confirmation letters from the mortgagee banks showing the redemption amounts payable to them at completion of the Supertop Agreement for the discharge and release in full of the mortgages on the Hong Kong Properties; and
- (c) all consents, approvals or waivers of rights of the shareholders of Supertop (if required), any relevant governmental authorities, regulatory bodies, financial institutions or other relevant third parties in Hong Kong or elsewhere which are required for the entry into and the implementation of the Supertop Agreement having been obtained, all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required for the entering into and the implementation of the Supertop Agreement having been made.

If any of the conditions precedent have not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing) or (except for condition (a), which cannot be waived) waived by Easyknit Properties in writing, then the Supertop Agreement shall thereupon terminate and the Seller shall within three business days thereafter refund the Supertop Deposit to Easyknit Properties together with interest at the Prime Rate from and including the date of the Supertop Agreement to and excluding the date of refund and none of the parties to the Supertop Agreement shall have any further claims against each other for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims.

**19 RELATED PARTY TRANSACTIONS**

Apart from those disclosed elsewhere, Supertop Group had no other transactions with related parties during the Relevant Periods.

**20 CAPITAL RISK MANAGEMENT**

Supertop Group manages its capital to ensure that entities within Supertop Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. Supertop Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Supertop Group consists of debts, which includes bank loans, and equity attributable to equity holders of Supertop, comprising paid in capital and reserves.

The management of Supertop reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, Supertop Group will balance its overall structure through the raising of new debts or the redemption of existing debts.

## 21 FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	Supertop Group			
	As at 31 March			As at
	2007	2008	2009	30 September
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Financial assets				
Loans and receivable (including cash and cash equivalents)	<u>1,908,591</u>	<u>12,452</u>	<u>4,152,138</u>	<u>2,101,930</u>
Financial liabilities				
Amortized cost	<u>34,182,477</u>	<u>30,429,953</u>	<u>61,428,483</u>	<u>60,842,182</u>

## (b) Financial risk management objectives and policies

Major financial assets and liabilities of Supertop Group include amounts due from the sole equity holder, cash and bank balances, amount due to the sole equity holder and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments are interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Interest rate risk*

Supertop Group is exposed to interest rate risk mainly from its bank loans. Supertop Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

*Sensitivity analysis*

Supertop Group and Supertop's sensitivity to interest rate risk has been determined based on the exposure to interest rate risk relating to the variable rate bank loans outstanding at the end of each reporting period. No sensitivity analysis is performed for bank balances as the fluctuation of interest rate on bank balances is considered not significant.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, Supertop Group's profit would have been decreased/increased by approximately HK\$51,000, HK\$Nil and HK\$304,000 for the year ended 31 March 2007 and 2008 and the six months ended 30 September 2009 respectively and the loss would have been increased/decreased by approximately HK\$307,000 for the year ended 31 March 2009.

The analysis is prepared by using certain assumptions on a hypothetical situation. In reality, market interest rates would not change in isolation. In management's opinion, the analysis is used for reference purpose and should not be considered a projection of future profits or losses.

(ii) *Credit risk*

Supertop Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of each reporting period in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk for bank deposits is considered minimal as such amounts are placed in banks with high credit ratings.

Supertop Group's only credit risk exposure is from its amount due from the sole equity holder, the risk associated with which is considered by the directors of Supertop as not significant.

(iii) *Liquidity risk*

In the management of the liquidity risk, Supertop Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Supertop Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and amount due to the sole equity holder and ensures compliance with loan covenants.

## 22 GOING CONCERN

Notwithstanding the net current liabilities at 31 March 2007, 2008 and 2009 and 30 September 2009, the Financial Information has been prepared on a going concern basis on the strength of the sole equity holder's confirmation that she will provide such financial support as is necessary to maintain Supertop Group as a going concern and on the assumption of future profitable operations of Supertop Group.

There can be no certainty, however, in relation to the future financial status of the sole equity holder nor to the profitability of Supertop Group's operation in future. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of the assets to their recoverable amounts and to provide for any further liabilities which might arise.

## III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Supertop or its subsidiary have been prepared in respect of any period subsequent to 30 September 2009.

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

*The following is the text of the report about Kingbest Capital Holdings Limited received from Tony Yuen & Co., as reproduced from Appendix IV of the circular of the Company dated 4 December 2009 in connection with a very substantial acquisition.*

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>	<b>8.4.2009 to 31.7.2009 HK\$'000</b>
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>	<b>31.7.2009</b> <i>HK\$'000</i>
<b>CURRENT ASSET</b>		
Deposits paid for acquisition of properties	9	8,610 -----
<b>CURRENT LIABILITIES</b>		
Amount due to the sole shareholder	7	1,200
Amount due to Easyknit Properties Holdings Limited	10	7,410 -----
		8,610 -----
<b>NET CURRENT ASSETS</b>		
		— =====
<b>SHARE CAPITAL</b>		
	8	—
<b>RETAINED PROFITS</b>		
		— -----
<b>CAPITAL AND RESERVES</b>		
		— =====

## Statement of changes in equity

	<b>8.4.2009 to</b> <b>31.7.2009</b>		
	<b>Share capital</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <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

*The following is the text of the unaudited pro forma financial information of the Group together with a report thereon received from Deloitte Touche Tohmatsu, as reproduced from Appendix V of the circular of the Company dated 4 December 2009 in connection with a very substantial acquisition.*

**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 X**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ABOUT THE GROUP**
**Unaudited Pro Forma Balance Sheet of the Enlarged Group**

	The Group as at 31 March 2009 HK\$'000 (Audited)	Kingbest as at 31 July 2009 HK\$'000 (Audited)	Pro forma adjustments			Pro forma total for the Enlarged Group HK\$'000
			HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	
<b>Non-current assets</b>						
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>
<b>Current assets</b>						
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>
<b>Current liabilities</b>						
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>
<b>Net current assets</b>	<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>
<b>Capital and reserves</b>						
Share capital	7,942	—	—	—	—	7,942
Reserves	1,357,242	—	—	—	—	1,357,242
	1,365,184	—	—	—	—	1,365,184
<b>Non-current liabilities</b>						
Deferred taxation	14,686	—	—	—	—	14,686
<b>Net assets</b>	<u>1,379,870</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,379,870</u>

## Unaudited Pro Forma Income 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 <i>HK\$'000</i> <i>(Note e)</i>	Pro forma total for the Enlarged Group <i>HK\$'000</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>

## 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 X**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ABOUT THE 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 X**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ABOUT THE 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>	
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>165,147</u>	<u>—</u>	<u>(3,640)</u>	<u>(7,410)</u>	<u>(57,734)</u>	<u>96,363</u>

*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.

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



*The following is the text of the unaudited pro forma financial information of the Group together with a report thereon received from Deloitte Touche Tohmatsu, as reproduced from Appendix VI of the circular of the Company dated 4 December 2009 in connection with a very substantial acquisition.*

**1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The unaudited pro forma financial information of the Group together with Grow Well and the Supertop Group (collectively referred to as the “Enlarged Group”) has been prepared to demonstrate the effect of the proposed acquisitions of the Hong Kong Properties and the Singapore Properties through the acquisitions of the entire issued share capital of Grow Well and Supertop (the “Acquisitions”) on the financial information of the Group.

The unaudited pro forma financial information of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) has been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects of the Acquisitions as if the Acquisitions 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 published annual report of the Group for the year ended 31 March 2009 as set out in Appendix I to this circular; (ii) the audited statement of financial position of Grow Well as at 30 September 2009 as extracted from the accountants’ report on Grow Well for the three years ended 31 December 2008 and nine months ended 30 September 2009 as set out in Appendix II to this circular; and (iii) the audited consolidated statement of financial position of the Supertop Group as at 30 September 2009 as extracted from the accountants’ report on the Supertop Group for the three years ended 31 March 2009 and six months ended 30 September 2009 as set out in Appendix III to this circular, after making pro forma adjustments relating to the Acquisitions that are (i) directly attributable to the Acquisitions; and (ii) factually supportable, as if the Acquisitions have been completed on 31 March 2009.

The preparation of the unaudited pro forma income statement and cash flow statement of the Enlarged Group are 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 published annual report of the Group for the year ended 31 March 2009 as set out in Appendix I to this circular; (ii) the audited statement of comprehensive income and audited statement of cash flows of Grow Well for the year ended 31 December 2008 as extracted from the accountants’ report on Grow Well as set out in Appendix II to this circular; and (iii) the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Supertop Group for the year ended 31 March 2009 as extracted from the accountants’ report on the Supertop Group as set out in Appendix III to this circular, after making pro forma adjustments relating to the Acquisitions that are (i) directly attributable to the Acquisitions; and (ii) factually supportable, as if the Acquisitions 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 Enlarged Group that would have been attained had the

**APPENDIX X**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ABOUT THE GROUP**

Acquisitions been completed on 31 March 2009; and (ii) the actual results and cash flows of the Enlarged Group that would have been attained had the Acquisitions 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.

**Unaudited Pro Forma Balance Sheet of the Enlarged Group**

	The Group as at 31 March 2009 <i>HK\$'000</i> <i>(Audited)</i>	Grow Well as at 30 September 2009 <i>HK\$'000</i> <i>(Audited)</i>	Supertop Group as at 30 September 2009 <i>HK\$'000</i> <i>(Audited)</i>	Pro forma adjustments				Pro forma adjusted 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>	<i>HK\$'000</i> <i>(Note d)</i>	
<b>Non-current assets</b>								
Property, plant and equipment	15,489	—	—	—	—	—	—	15,489
Properties held for development	99,000	—	—	—	—	—	—	99,000
Investment properties	544,920	122,981	104,350	—	—	—	—	772,251
Intangible asset	921	—	—	—	—	—	—	921
Interests in associates	113,036	—	—	—	—	—	—	113,036
Available-for-sale investments	33,891	—	—	—	—	—	—	33,891
	<u>807,257</u>	<u>122,981</u>	<u>104,350</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,034,588</u>
<b>Current assets</b>								
Properties held for development	181,204	—	—	—	—	—	—	181,204
Investments held for trading	93,420	—	—	—	—	—	—	93,420
Inventories	3,490	—	—	—	—	—	—	3,490
Trade and other receivables	44,060	349	72	—	—	—	—	44,481
Loans receivable	86,068	—	—	—	—	—	—	86,068
Bills receivable	39,180	—	—	—	—	—	—	39,180
Amount due from the sole equity holder of Supertop	—	—	2,101	—	—	—	(2,101)	—
Amount due from a Director	—	—	—	—	—	—	2,101	2,101
Tax recoverable	31	—	—	—	—	—	—	31
Structured deposit	24,045	—	—	—	—	—	—	24,045
Bank balances and cash	165,147	110	1	(123,120)	(104,350)	62,212	—	—
	<u>636,645</u>	<u>459</u>	<u>2,174</u>	<u>(123,120)</u>	<u>(104,350)</u>	<u>62,212</u>	<u>—</u>	<u>474,020</u>

**APPENDIX X**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ABOUT THE GROUP**

	The Group as at 31 March 2009 <i>HK\$'000</i> <i>(Audited)</i>	Grow Well as at 30 September 2009 <i>HK\$'000</i> <i>(Audited)</i>	Supertop Group as at 30 September 2009 <i>HK\$'000</i> <i>(Audited)</i>	Pro forma adjustments				Pro forma adjusted total for the Enlarged Group <i>HK\$'000</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
				<i>(Note a)</i>	<i>(Note b)</i>	<i>(Note c)</i>	<i>(Note d)</i>	
<b>Current liabilities</b>								
Trade and other payables	28,692	666	334	—	—	—	—	29,692
Bills payable	9,683	—	—	—	—	—	—	9,683
Amount due to a director of Grow Well	—	5,935	—	—	—	—	(5,935)	—
Amount due to a Director	—	—	—	—	—	—	5,935	5,935
Amounts due to equity holders of Grow Well	—	86,007	—	(86,007)	—	—	—	—
Payables for the Acquisitions	—	—	—	—	—	62,212	—	62,212
Tax payable	25,657	93	—	—	—	—	—	25,750
Bank loans — amounts due within one year	—	28,097	1,185	(28,097)	(1,185)	—	—	—
Bank overdraft	—	—	29,918	—	(29,918)	—	—	—
	<u>64,032</u>	<u>120,798</u>	<u>31,437</u>	<u>(114,104)</u>	<u>(31,103)</u>	<u>62,212</u>	<u>—</u>	<u>133,272</u>
<b>Net current assets (liabilities)</b>	<u>572,613</u>	<u>(120,339)</u>	<u>(29,263)</u>	<u>(9,016)</u>	<u>(73,247)</u>	<u>—</u>	<u>—</u>	<u>340,748</u>
<b>Total assets less current liabilities</b>	<u>1,379,870</u>	<u>2,642</u>	<u>75,087</u>	<u>(9,016)</u>	<u>(73,247)</u>	<u>—</u>	<u>—</u>	<u>1,375,336</u>
<b>Non-current liabilities</b>								
Deferred taxation	14,686	7,155	6,440	—	—	—	—	28,281
Bank loans — amounts due after one year	—	—	29,740	—	(29,740)	—	—	—
	<u>14,686</u>	<u>7,155</u>	<u>36,180</u>	<u>—</u>	<u>(29,740)</u>	<u>—</u>	<u>—</u>	<u>28,281</u>
<b>Net assets (liabilities)</b>	<u>1,365,184</u>	<u>(4,513)</u>	<u>38,907</u>	<u>(9,016)</u>	<u>(43,507)</u>	<u>—</u>	<u>—</u>	<u>1,347,055</u>

## Unaudited Pro Forma Income Statement of the Enlarged Group

	The Group	Grow Well	Supertop	Pro forma adjustments			Pro forma
	For the year ended 31 March 2009	For the year ended 31 December 2008	Group For the year ended 31 March 2009	HK\$'000	HK\$'000	HK\$'000	total for the Enlarged Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Note e)	(Note f)	(Note g)	
Turnover	458,068	2,677	379	—	—	—	461,124
Cost of sales	(373,912)	—	—	—	—	—	(373,912)
Gross profit	84,156	2,677	379	—	—	—	87,212
Other income	18,025	—	2	—	—	—	18,027
Distribution and selling expenses	(9,805)	—	—	—	—	—	(9,805)
Administrative expenses	(49,288)	(6,636)	(531)	—	—	6,068	(50,387)
Loss arising on changes in fair value of investment properties	(21,760)	(38,138)	(487)	12,057	(31,037)	—	(79,365)
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	(91)	(758)	(1,362)	—	—	2,120	(91)
Loss before taxation	(106,390)	(42,855)	(1,999)	12,057	(31,037)	8,188	(162,036)
Taxation credit	5,006	6,742	1,550	(2,170)	—	—	11,128
Loss for the year attributable to equity holders of the Company	<u>(101,384)</u>	<u>(36,113)</u>	<u>(449)</u>	<u>9,887</u>	<u>(31,037)</u>	<u>8,188</u>	<u>(150,908)</u>

**APPENDIX X**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ABOUT THE GROUP**
**Unaudited Pro Forma Cash Flow Statement of the Enlarged Group**

	The Group	Grow Well	Supertop	Pro forma adjustments							Pro forma
	For the year	For the year	Group								total for
	ended 31	ended 31	For the year								the
March 2009	December	March 2009								Enlarged	
HK\$'000	2008	2009	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
(Audited)	(Audited)	(Audited)	(Note e)	(Note f)	(Note g)	(Note h)	(Note i)	(Note j)	(Note k)	(Note k)	HK\$'000
Cash flows from operating activities											
Loss before taxation	(106,390)	(42,855)	(1,999)	12,057	(31,037)	8,188	—	—	—	—	(162,036)
Adjustments for:											
Share of results of associates	15,044	—	—	—	—	—	—	—	—	—	15,044
Interest income	(11,211)	—	—	—	—	—	—	—	—	—	(11,211)
Interest expense	91	758	1,362	—	—	(2,120)	—	—	—	—	91
Exchange loss	—	6,068	—	—	—	(6,068)	—	—	—	—	—
Depreciation of property, plant and equipment	1,086	—	2	—	—	—	—	—	—	—	1,088
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	38,138	487	(12,057)	31,037	—	—	—	—	—	79,365
Write-off of leasehold improvements	—	—	18	—	—	—	—	—	—	—	18
Gain on partial disposal of interests in associates	(1,021)	—	—	—	—	—	—	—	—	—	(1,021)
Gain on fair value change of structured deposit	(795)	—	—	—	—	—	—	—	—	—	(795)
Operating profit (loss) before movements in working capital	28,271	2,109	(130)	—	—	—	—	—	—	—	30,250
Increase in properties held for development	(128,148)	—	—	—	—	—	—	—	—	—	(128,148)
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)	(292)	(31)	—	—	—	—	—	—	—	(12,240)
Increase in bills receivable	(8,354)	—	—	—	—	—	—	—	—	—	(8,354)
(Decrease) increase in trade and other payables	(11,790)	270	(2,148)	—	—	—	—	—	—	—	(13,668)
Increase in bills payable	6,117	—	—	—	—	—	—	—	—	—	6,117
Cash (used in) from operations	(91,327)	2,087	(2,309)	—	—	—	—	—	—	—	(91,549)
Hong Kong Profits Tax paid	(135)	—	—	—	—	—	—	—	—	—	(135)
Taxation in other jurisdictions paid	—	(130)	—	—	—	—	—	—	—	—	(130)
Loan interest received	7,658	—	—	—	—	—	—	—	—	—	7,658
Dividend received from investments held for trading	2,663	—	—	—	—	—	—	—	—	—	2,663
Net cash (used in) from operating activities	(81,141)	1,957	(2,309)	—	—	—	—	—	—	—	(81,493)

**APPENDIX X**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ABOUT THE GROUP**

	The Group	Grow Well	Supertop	Pro forma adjustments							Pro forma
	For the year	For the year	Group								total for
	ended 31	ended 31	For the year	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	the
March 2009	December	March 2009	(Note e)	(Note f)	(Note g)	(Note h)	(Note i)	(Note j)	(Note k)	Enlarged	
HK\$'000	2008	2009								Group	
(Audited)	(Audited)	(Audited)								HK\$'000	
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)
Net proceeds from disposal of investment properties	—	—	23,823	—	—	—	—	—	(23,823)	—	—
Acquisition of subsidiaries (net of cash and cash equivalents)	—	—	—	—	—	—	—	(123,040)	(104,338)	95,739	(131,639)
Purchase of structured deposit	(23,250)	—	—	—	—	—	—	—	—	—	(23,250)
Purchase of property, plant and equipment	(147)	—	—	—	—	—	—	—	—	—	(147)
Purchase of investment properties	—	—	(47,010)	—	—	—	—	—	47,010	—	—
Net cash used in investing activities	(34,903)	—	(23,187)	—	—	—	—	(123,040)	(81,151)	95,739	(166,542)
Cash used in financing activities											
Interest paid	(91)	(758)	(1,362)	—	—	2,120	—	—	—	—	(91)
Advance from a director of Grow Well	—	1,425	—	—	—	—	—	(1,425)	—	—	—
Repayment of advance from a Director	—	—	—	—	—	—	—	(33,156)	—	—	(33,156)
Repayment of advance from the sole equity holder of Supertop	—	—	(34,581)	—	—	—	34,581	—	—	—	—
Bank loans (repaid) raised	—	(2,757)	31,500	—	—	—	—	2,757	(31,500)	—	—
Net cash used in financing activities	(91)	(2,090)	(4,443)	—	—	2,120	—	2,757	(31,500)	—	(33,247)
Net decrease in cash and cash equivalents	(116,135)	(133)	(29,939)	—	—	2,120	—	(120,283)	(112,651)	95,739	(281,282)
Cash and cash equivalents at beginning of the year	281,315	80	12	—	—	—	—	(80)	(12)	—	281,315
Effect of foreign exchange rate changes	(33)	(29)	—	—	—	—	—	29	—	—	(33)
Cash and cash equivalents at end of the year	165,147	(82)	(29,927)	—	—	2,120	—	(120,334)	(112,663)	95,739	—
Represented by:											
— bank balances and cash	165,147	—	1	—	—	2,120	—	(120,416)	(142,591)	95,739	—
— bank overdraft	—	(82)	(29,928)	—	—	—	—	82	29,928	—	—
	165,147	(82)	(29,927)	—	—	2,120	—	(120,334)	(112,663)	95,739	—

**Notes:**

- (a) The adjustment represents the total consideration of HK\$123,120,000 paid or payable by the Group in connection with (i) the acquisition of the entire issued share capital of Grow Well (“Grow Well Acquisition”); (ii) the assignment of the payables due to the equity holders of Grow Well outstanding as at 30 September 2009 amounting to HK\$86,007,000 to the Group; and (iii) the repayment of bank loans outstanding as at 30 September 2009 amounting to HK\$28,097,000 by the Group as if the Grow Well Acquisition had been completed on 31 March 2009.

The consideration of HK\$123,120,000 is determined with reference to the fair values of the Singapore Properties as at 9 October 2009 amounting to SG\$22,500,000 (equivalent to HK\$123,120,000) which has been valued by DTZ Debenham Tie Leung (SEA) Pte Ltd, an independent qualified professional valuer.

In accordance with Hong Kong Accounting Standard 40 “Investment Properties” and the Group’s accounting policy, an investment property is initially recognised at cost and measured at fair value with fair value gains or losses recognised

directly in profit or loss in subsequent periods. The excess of the consideration over the fair values of the Singapore Properties and the carrying amounts of other assets and liabilities of Grow Well (other than the payables assigned to the Group and the bank loans to be settled by the Group) as at 30 September 2009 amounting to HK\$13,529,000 is therefore reflected as a fair value loss of the Singapore Properties.

Since the fair values of the Singapore Properties and the carrying amounts of other assets and liabilities of Grow Well at the date of the Grow Well Completion may be substantially different from their fair values and amounts as at 30 September 2009, the amount of fair value gain or loss of the Singapore Properties to be recognised at the Grow Well Completion may be different from the estimated amounts stated herein.

- (b) The adjustment represents the total consideration of HK\$104,350,000 paid or payable by the Group in connection with (i) the acquisition of the entire issued share capital of Supertop (“Supertop Acquisition”) and (ii) the repayment of bank loans and bank overdraft outstanding as at 30 September 2009 amounting to HK\$30,925,000 and HK\$29,918,000, respectively, by the Group as if the Supertop Acquisition had been completed on 31 March 2009.

The consideration of HK\$104,350,000 is determined with reference to the fair values of the Hong Kong Properties as at 12 October 2009 amounting to HK\$104,350,000 which has been valued by A.G. Wilkinson & Associates, an independent qualified professional valuer.

As mentioned above in note (a), an investment property is initially recognised at cost and measured at fair value with fair value gains or losses recognised directly in profit or loss in subsequent periods in accordance with the Group’s policy. The excess of the consideration over the fair values of the Hong Kong Properties and the carrying amounts of other assets and liabilities of the Supertop Group (other than the bank loans and bank overdraft to be settled by the Group) as at 30 September 2009 amounting to HK\$4,600,000 is therefore reflected as a fair value loss of the Hong Kong Properties.

Since the fair values of the Hong Kong Properties and the carrying amounts of other assets and liabilities of the Supertop Group at the date of the Supertop Completion may be substantially different from their fair values and amounts as at 30 September 2009, the amount of fair value gain or loss of the Hong Kong Properties to be recognised at the Supertop Completion may be different from the estimated amounts stated herein.

- (c) Being the adjustment for the recognition of a payable for the Acquisitions amounting to HK\$62,212,000 as if the Acquisitions had been completed on 31 March 2009. In the opinion of the Directors, the Group will have sufficient cash resources to fully settle the consideration for the Acquisitions at the Grow Well Completion and the Supertop Completion.
- (d) Being the reclassification of the amount due from the sole equity holder of Supertop and amount due to a director of Grow Well as the amount due from (to) a Director.
- (e) Being the adjustment for the fair value loss and the corresponding deferred taxation in respect of the Singapore Properties as if the Singapore Properties had been acquired by the Group through the Grow Well Acquisition at a consideration of HK\$123,120,000 at the beginning of the year.
- (f) Being the adjustment for the fair value loss in respect of the Hong Kong Properties as if the Hong Kong Properties had been acquired by the Group through the Supertop Acquisition at a consideration of HK\$104,350,000 at the beginning of the year.
- (g) Being the adjustment for the reversal of the finance costs of HK\$2,120,000 and exchange loss of HK\$6,068,000 in respect of the bank loans as if the Acquisitions had been completed at the beginning of the year and all bank loans and bank overdraft of Grow Well and the Supertop Group had been settled by the Group at the beginning of the year.

- (h) Being the reclassification of the advance from a director of Grow Well and repayment of advance from the sole equity holder of Supertop to repayment of advance from a Director.
  
- (i) Being the adjustment to reflect the net cash flow effect of the Grow Well Acquisition as if the acquisition had been completed at the beginning of the year. The adjustment represents (i) total consideration of HK\$123,120,000 net of bank balances and cash acquired of HK\$80,000, and (ii) the elimination of the cash outflow for the repayment of bank loans of HK\$2,757,000 during the year as if the bank loans had been settled at the beginning of the year out of the consideration for the Grow Well Acquisition.
  
- (j) Being the adjustment to reflect the net cash flow effect of the Supertop Acquisition as if the acquisition had been completed at the beginning of the year. The adjustment represents (i) total consideration of HK\$104,350,000 net of bank balances and cash acquired of HK\$12,000, and (ii) the elimination of cash flows incurred for the purchase of investment properties of HK\$47,010,000 and received for the disposal of investment properties of HK\$23,823,000 as if such properties had been purchased and disposed of at the beginning of the year out of the consideration for the Supertop Acquisition and the related bank loans of HK\$31,500,000 had not been raised during the year.
  
- (k) Being the adjustment for recognition of the payables for the Acquisitions amounting to HK\$95,739,000 as if the Acquisitions had been completed at the beginning of the year.



**2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**Deloitte.**  
**德勤**

**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 Grow Well Profits Limited and Supertop Investment Limited and its subsidiary (collectively as the “Enlarged Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed very substantial acquisition of the entire issued share capital of Grow Well Profits Limited and Supertop Investment Limited (the “Proposed Transactions”) might have affected the financial information presented, for inclusion in Section 1 of Appendix VI to the circular of the Company dated 4 December 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 VI 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.

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

4 December 2009

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## NOTICE OF SGM

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### EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

**NOTICE IS HEREBY GIVEN** that a special general meeting of Easyknit International Holdings Limited (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 12 April 2010 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed (with or without amendment) as ordinary resolutions:

#### ORDINARY RESOLUTIONS

“**THAT** the agreement dated 24 February 2010 entered into between Ng Kwai Tung and Easyknit Properties Holdings Limited a copy of which has been produced to this meeting and signed by the Chairman for the purposes of identification and the transactions contemplated thereunder 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.”

Yours faithfully,

For and on behalf of

**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**Kwong Jimmy Cheung Tim**

*President and Chief Executive Officer*

Hong Kong, 22 March 2010

#### 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.

\* *For identification only*

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## NOTICE OF SGM

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2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under 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 will be voted by way of poll.