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**THIS COMPOSITE OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Offer Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Offer Document.

**If you are in any doubt** as to any aspect of this Composite Offer Document or the Offer contained herein 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 (the "Company"), you should at once hand this Composite Offer Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) 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(s) or transferee(s). This Composite Offer Document should be read in conjunction with the accompanying Form(s) of Acceptance and Transfer, the contents of which form part of the terms of the Offer contained herein.

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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)**

**Sea Rejoice Limited**

**樂洋有限公司\***

*(Incorporated in the British Virgin Islands*

*with limited liability)*

**COMPOSITE OFFER DOCUMENT RELATING TO THE  
VOLUNTARY CONDITIONAL OFFER BY  
KINGSTON SECURITIES LIMITED  
AND  
ALTUS INVESTMENTS LIMITED  
ON BEHALF OF SEA REJOICE LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF  
EASYKNIT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
SEA REJOICE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

**Joint financial advisers to Sea Rejoice Limited**



**KINGSTON CORPORATE FINANCE LIMITED**

**ALTUS CAPITAL LIMITED**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**Access Capital**

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A letter from Kingston Securities and Altus Investments, containing amongst other things, the details of the terms of the Offer, is set out on pages 5 to 12 of this Composite Offer Document. A letter from the Board is set out on pages 13 to 17 of this Composite Offer Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out on pages 18 to 19 of this Composite Offer Document. A letter from Access Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer is set out on pages 20 to 33 of this Composite Offer Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the Offer contained herein should be received by the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 15 July 2010 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Offer Document.

\* For identification only

Hong Kong, 24 June 2010

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## EXPECTED TIMETABLE

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The timetable set out below is indicative and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All time and date references contained in this Composite Offer Document refer to Hong Kong time and dates.

2010

Despatch date of this Composite Offer Document and the commencement of the Offer (*Note 1*) . . . . . Thursday, 24 June

Latest time and date for acceptance of the Offer . . . . . 4:00 p.m., Thursday, 15 July

First Closing Date (*Note 2*) . . . . . Thursday, 15 July

Announcement of the result of the Offer, as at the First Closing Date, on the website of the Stock Exchange and the website of Easyknit International (*Note 2*) . . . . . by 7:00 p.m., Thursday, 15 July

Latest date for posting of remittance for the amount due in respect of valid acceptance received under the Offer on or before 4:00 p.m. on the First Closing Date, assuming the Offer becomes, or is declared, unconditional in all respect on the First Closing Date (*Note 3*) . . . . . Saturday, 24 July

Latest time and date for the Offer remaining open for acceptance assuming the Offer becomes or is declared unconditional on the First Closing Date (*Note 4*) . . . . . 4:00 p.m., Thursday, 29 July

Latest date for posting of remittance for the amount due in respect of valid acceptance received under the Offer on or before 4:00 p.m. on 29 July 2010, being the latest date which the Offer remains open for acceptance assuming the Offer becomes, or is declared, unconditional in all respect on the First Closing Date . . . . . Saturday, 7 August

Latest time by which the Offer can become or be declared unconditional (*Note 5*) . . . . . 7:00 p.m., Monday, 23 August

*Notes:*

- (1) The Offer is made on Thursday, 24 June 2010, namely the date of posting of this Composite Offer Document, and is capable of acceptance on and from that date until the close of the Offer Period.

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## EXPECTED TIMETABLE

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- (2) In accordance with the Takeovers Code, the Offer must remain open for acceptance for at least 21 days following the date on which this Composite Offer Document is posted. The Offer will be closed on the First Closing Date (i.e. Thursday, 15 July 2010) unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued by the Company and the Offeror through the Stock Exchange's website by 7:00 p.m. on Thursday, 15 July 2010 stating the results of the Offer and whether the Offer has been revised or extended or expired. In the event that the Offeror decides that the Offer will remain open, the announcement will state the next closing date of the Offer or, if the Offer has become or been declared unconditional, that the Offer will remain open until further notice. At least 14 days' notice in writing will be given, before the Offer is closed, to those Shareholders who have not accepted the Offer. For further details, please refer to Appendix I to this Composite Offer Document. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal in force between 9:00 a.m. and 4:00 p.m. on the First Closing Date, the time and date of the close of the Offer will be adjourned to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.
- (3) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares validly tendered under the Offer will be posted by ordinary post to the Shareholders who accept the Offer or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of the members of the Company, at their own risk, as soon as practicable, but in any event within 10 days from the later of the date on which the Offer becomes or is declared, unconditional and the date the Offeror receives a duly completed Form of Acceptance and Transfer from the Shareholders accepting the Offer. Relevant documents of title must be received by the Offeror to render acceptance of the Offer complete and valid.
- An acceptor shall be entitled to withdraw his acceptance after 21 days from the First Closing Date on Thursday, 15 July 2010, if the Offer has not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Offer becomes or is declared unconditional as to acceptances. For further details, please refer to Appendix I to this Composite Offer Document.
- (4) In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed to the Shareholders who have not accepted the Offer. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code.
- (5) In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Offer Document was posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Monday, 23 August 2010, unless extended with the consent of the Executive.

### **WARNING:**

**The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares, or**
- **there are insufficient Shares in public hands to maintain an orderly market,**

**then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon completion of the Offer, there may be insufficient public float for the Shares and therefore, trading in the Shares may be suspended until a prescribed level of public float is attained.**

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## DEFINITIONS

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*In this Composite Offer Document, the following expressions shall have the following meanings unless the context otherwise requires:*

“Access Capital” or “Independent Financial Adviser”	Access Capital Limited, a corporation licensed to carry out Types 1, 4, 6 and 9 (dealing in securities, advising on securities, advising on corporate finance and asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer
“acting in concert”	the meaning ascribed thereto in the Takeovers Code
“Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Types 4, 6 and 9 (advising on securities, advising on corporate finance and asset management) regulated activities under the SFO, one of the joint financial advisers to the Offeror in respect of the Offer
“Altus Investments”	Altus Investments Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
“associate(s)”	the meaning ascribed thereto in the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Composite Offer Document”	this composite offer document jointly issued by the Offeror and the Company containing, amongst other things, information relating to the Offeror, information relating to Easyknit International and its subsidiaries, the terms and conditions of the Offer, the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser to be despatched to the Shareholders together with Forms of Acceptance and Transfer

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## DEFINITIONS

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“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
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“First Closing Date”	15 July 2010, being the first closing date of the Offer or such later date as may be extended by the Offeror in accordance with the Takeovers Code
“Form of Acceptance and Transfer”	the form of acceptance and transfer in respect of the Offer which accompanies this Composite Offer Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising Mr. Tse Wing Chiu, Ricky (the non-executive Director) and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun (the independent non-executive Directors), formed to advise the Independent Shareholders in respect of the Offer
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it
“Independent Valuers”	Vigers Appraisal and Consulting Limited, Knight Frank Petty Limited, DTZ Debenham Tie Leung (SEA) Pte Limited and A. G. Wilkinson & Associates (Surveyors) Limited, the independent valuers performing the valuation of the properties of the Group
“Joint Announcement”	the joint announcement dated 28 May 2010 issued by the Offeror and Easyknit International relating to, inter alia, the Offer
“Joint Financial Advisers”	Kingston Corporate Finance and Altus Capital

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## DEFINITIONS

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“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, one of the joint financial advisers to the Offeror in respect of the Offer
“Kingston Securities”	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
“Last Trading Day”	25 May 2010, being the last trading day before the suspension of the trading in the Shares, pending the release of the Joint Announcement
“Latest Practicable Date”	22 June 2010, being the latest practicable date prior to the printing of this Composite Offer Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the day that is 60 days after 24 June 2010, being the date of the posting of this Composite Offer Document (or such later date as the Executive may consent to)
“Magical Profits”	Magical Profits Limited, a company incorporated in the British Virgin Islands on 11 April 1994 with limited liability
“Offer”	the voluntary conditional offer made (in compliance with the Takeovers Code) for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at an offer price of HK\$3.30 per Offer Share
“Offer Period”	the period from 28 May 2010, being the date of the Joint Announcement, to 15 July 2010 or such later time and/or date to which the Offeror may decide to extend the Offer in accordance with the Takeovers Code
“Offer Price”	HK\$3.30 per Offer Share payable in cash by the Offeror to the Shareholders who validly accept the Offer
“Offer Share(s)”	Share(s) not already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Sea Rejoice Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Lui Yuk Chu

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## DEFINITIONS

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“Oversea Shareholders”	Shareholders whose registered addresses, as shown on the Company’s branch share registrar in Hong Kong, are outside Hong Kong
“PRC”	the People’s Republic of China
“Relevant Period”	the period commencing from 28 November 2009, being six months preceding the date of the Joint Announcement up to and including the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the consolidation of every ten (10) issued and unissued shares in Easyknit International of HK\$0.01 each into one Share of HK\$0.10, approved by Shareholders at the special general meeting of Easyknit International held on 17 February 2010
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.



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**LETTER FROM KINGSTON SECURITIES AND ALTUS INVESTMENTS**

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**KINGSTON SECURITIES LIMITED**

**ALTUS INVESTMENTS LIMITED**

Suite 2801, 28th Floor  
One International Finance Centre  
1 Harbour View Street, Central Hong Kong

8th Floor,  
Hong Kong Diamond Exchange Building  
8 Duddell Street, Central, Hong Kong

24 June 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY  
KINGSTON SECURITIES LIMITED  
AND  
ALTUS INVESTMENTS LIMITED  
ON BEHALF OF  
SEA REJOICE LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF  
EASYKNIT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
SEA REJOICE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

On 28 May 2010, the Offeror and the Company jointly announced that the Offeror intended to make the Offer (in compliance with the Takeovers Code) through Kingston Securities and Altus Investments for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at an offer price of HK\$3.30 per Offer Share.

This letter sets out, among other things, details of the terms of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Offer are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance and Transfer.

**THE OFFER**

Kingston Securities and Altus Investments, on behalf of the Offeror, hereby offer to acquire, on the terms and subject to the conditions set out in this Composite Offer Document and in the Form of Acceptance and Transfer, all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer is made on the following basis:

**For each Offer Share . . . . . HK\$3.30 in cash**

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## LETTER FROM KINGSTON SECURITIES AND ALTUS INVESTMENTS

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As at the Latest Practicable Date, there were 79,420,403 Shares in issue. At the Offer Price of HK\$3.30 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$262.09 million under the Offer.

As at the Latest Practicable Date, there were no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

As at the Latest Practicable Date, Magical Profits, being a party acting in concert with the Offeror, owned 29,179,480 Shares (representing approximately 36.74% of the issued share capital of the Company). The number of Shares that are subject to the Offer is therefore 50,240,923 Shares, and the Offer is valued at approximately HK\$165.80 million based on the Offer Price.

### Comparisons of value

The Offer Price represents:

- (a) a premium of approximately 6.45% over the closing price of HK\$3.10 per Share, as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 33.06% over the closing price of HK\$2.480 per Share, as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 25.86% over the average closing price of HK\$2.622 per Share, as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 22.91% over the average closing price of HK\$2.685 per Share, as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Trading Day; and
- (e) a discount of approximately 80.80% to the audited consolidated net asset value per Share of approximately HK\$17.19 as at 31 March 2009.

### Highest and lowest prices of the Shares

During the Relevant Period, adjusting for the effects of the Share Consolidation, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.15 per Share on 3 June 2010 and 4 June 2010 respectively, and the lowest closing price of the Shares on the Stock Exchange was HK\$2.20 per Share on 30 November 2009.

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## LETTER FROM KINGSTON SECURITIES AND ALTUS INVESTMENTS

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### TOTAL CONSIDERATION FOR THE OFFER AND CONFIRMATION OF FINANCIAL RESOURCES

The maximum cash consideration payable under the Offer for all of the issued share capital of Easyknit International, other than Shares held by the Offeror and parties acting in concert with it, is approximately HK\$165.80 million.

Kingston Corporate Finance and Altus Capital are satisfied that sufficient financial resources are available to the Offeror to meet full acceptances of the Offer. The Offeror will finance the Offer using its cash resources and a loan facility provided by Kingston Securities. The Offeror confirms that the (i) payment of the interest and the principle of the aforesaid loan facility; and (ii) security for any liability under the aforesaid loan facility would not be dependent to any significant extent on the business of the Group.

### CONDITIONS OF THE OFFER

The Offer is conditional upon:

- (a) valid acceptances having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the First Closing Date in respect of the Shares, which together with the Shares already held by the Offeror and parties acting in concert with it, constitute more than 50% of the voting rights of Easyknit International;
- (b) each and every member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, provisional liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any part of the assets or undertakings of any member of the Group from the date of the Joint Announcement up to the date when condition (a) is satisfied; and
- (c) no event having occurred on or before the date on which condition (a) above has been satisfied which would make the Offer or the acquisition of any of the Shares by the Offeror void, unenforceable, illegal or unable to be proceeded with or would impose any additional material conditions or obligations with respect to the Offer or any part thereof or the acquisition of any of the Shares.

The Offeror reserves the right to waive the conditions to the Offer set out above (except for condition (a)), in whole or in part.

**The Offer may lapse if it does not become unconditional. Shareholders of and potential investors in Easyknit International are advised to exercise extreme caution when dealing in the securities of Easyknit International.**

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## LETTER FROM KINGSTON SECURITIES AND ALTUS INVESTMENTS

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As at the Latest Practicable Date:

- (a) there are no existing holdings of voting rights or rights over Shares in respect of which the Offeror or any parties acting in concert with it:
  - (i) has received an irrevocable commitment to accept or reject the Offer;
  - (ii) holds convertible securities, warrants or options;
- (b) there are no outstanding derivatives in respect of securities in Easyknit International entered into by the Offeror or any parties acting in concert with it;
- (c) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or Easyknit International, which might be material to the Offer;
- (d) there are no agreements or arrangements to which the Offeror is party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; or
- (e) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Easyknit International which the Offeror or any parties acting in concert with it has borrowed or lent.

### **PAYMENT AND SHARE CERTIFICATES**

Payment in cash (after deducting the sellers' ad valorem stamp duty) in respect of valid acceptances of the Offer will be made as soon as possible but in any event within 10 days of the later of the date the Offer becomes or is declared unconditional and the date the Offeror receives a duly completed Form of Acceptance and Transfer.

If the Offer lapses, the Offeror will, as soon as possible but in any event within 10 days thereof, post the Share certificates lodged with the Form of Acceptance and Transfer to, or make such Share certificates available for collection by, those Independent Shareholders who have accepted the Offer.

### **CLOSING OF THE OFFER**

If the conditions to the Offer are not satisfied (or, if permissible, waived) on or before the First Closing Date, the Offer will lapse unless extended by the Offeror in accordance with the Takeovers Code. In that case, the Offeror will issue an announcement in accordance with the Takeovers Code as soon as practicable thereafter.

The latest date on which the Offeror can declare the Offer unconditional is the Long Stop Date. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the Long Stop Date. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is

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## LETTER FROM KINGSTON SECURITIES AND ALTUS INVESTMENTS

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declared unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Monday, 23 August 2010, unless extended with the consent of the Executive. An announcement will be made to Shareholders both when the Offer becomes unconditional as to acceptances and when it becomes unconditional in all respects.

### EFFECT OF ACCEPTING THE OFFER

By accepting the Offer, the relevant Independent Shareholders will sell their Shares to the Offeror free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of the Joint Announcement.

### COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offer.

### STAMP DUTY

Seller's ad valorem stamp duty payable by the Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer.

### TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Offer. It is emphasised that none of the Offeror, the Company, Kingston Securities and Altus Investments, any of their respective directors and any persons involved in the Offer accepts responsibility for any tax effects on or liabilities of any person or persons as a result of their acceptance or rejection of the Offer.

### OVERSEAS SHAREHOLDERS

The Offer is in respect of securities of a company incorporated in Bermuda and admitted to listing in Hong Kong and is subject to the procedure and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions.

The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself or herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such Overseas Shareholder will be responsible

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## LETTER FROM KINGSTON SECURITIES AND ALTUS INVESTMENTS

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for any such issue, transfer or other taxes by whomsoever payable and the Offeror, the Company, the Joint Financial Advisers and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay. Acceptances of the Offer by any such person will constitute a warranty by such person that such person has observed and is permitted under all applicable laws and regulations to receive and accept the Offer and any revision thereof, and that he/she/it has obtained any requisite governmental, exchange control or other consents, complied with all other necessary formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her/it in connection with such acceptance in any territory, and that he/she/it has not taken or omitted to take any action which will or may result in the Offeror, the Company or the Joint Financial Advisers or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer and/or his/her/its acceptance thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations.

### REASONS FOR THE OFFER

As at the Latest Practicable Date, there were 79,420,403 Shares in issue, of which 29,179,480 Shares (representing approximately 36.74% of the issued share capital of Easyknit International) were held by Magical Profits, a party acting in concert with the Offeror.

In order to increase its degree of control over Easyknit International, the Offeror wishes to increase its (and its concert parties') shareholding of Easyknit International to over 50% while maintaining Easyknit International's existing businesses of property investments, investments in securities and loan financing.

If statutory control can be gained, the Offeror and parties acting in concert with it will no longer be subject to the creeper provisions of the Takeovers Code and will have more flexibility in increasing and decreasing investment in the Company should they wish to do so. There will also be administrative benefits, for example when conducting major transactions where written confirmations from the majority Shareholder or a closely-connected group of Shareholders, who together hold more than 50% in nominal value of the Shares giving the right to attend and vote at the general meeting to approve the transaction, would suffice instead of the Company having to hold Shareholders' meetings, which in turn saves time and costs.

### INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands in February 2010 with limited liability and is wholly-owned by Ms. Lui Yuk Chu, and the current sole activity is to make the Offer. Ms. Lui Yuk Chu is an executive Director and the Vice President of Easyknit International and is one of the beneficiaries of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).

The 29,179,480 Shares (representing approximately 36.74% of the issued share capital of Easyknit International) in which Ms. Lui Yuk Chu is interested are registered in the name of and are

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## LETTER FROM KINGSTON SECURITIES AND ALTUS INVESTMENTS

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beneficially owned by Magical Profits, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust. Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of the Magical 2000 Trust. The Offeror is acting in concert with Ms. Lui Yuk Chu, Ms. Koon Ho Yan Candy, Magical Profits, Accumulate More Profits Limited and Hang Seng Bank Trustee International Limited.

### **DEALINGS IN THE SHARES BY THE OFFEROR DURING THE RELEVANT PERIOD**

There have been no dealings in the Shares by the Offeror and parties acting in concert with it during the Relevant Period. There is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company which might be material to the Offer.

### **INTENTIONS OF THE OFFEROR REGARDING EASYKNIT INTERNATIONAL AND THE GROUP**

It is the intention of the Offeror to continue with the existing business of the Group notwithstanding the Offer. The Offeror does not intend to dispose of or redeploy the assets of the Group other than in the ordinary course of business and has no intention to change the existing management of the Group and will continue the employment of the Group's employees.

The Offeror also intends to maintain the listing status of Easykmit International on the Stock Exchange after the close of the Offer and accordingly, will take appropriate steps to ensure that not less than 25% of the Shares will be held by the public.

If, at the close of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend dealings in the Shares.

It should therefore be noted that, upon completion of the Offer, there may be insufficient public float for the Shares, and therefore trading in the Shares may be suspended until a prescribed level of public float is attained. The Offeror may enter into a conditional placing arrangement to place out Shares in order to ensure the above in the event that the Offeror acquires more than 75% issued Shares pursuant to the Offer.

### **APPLICATION OF THE CHAIN PRINCIPLE**

Given that Easykmit International controls over 30% of Easykmit Enterprises, a company which is also listed on the Stock Exchange, an obligation to make a mandatory offer for all the issued shares of Easykmit Enterprises may, where the Offeror acquires the statutory control of Easykmit International, be triggered under the "chain principle" in Note 8 to Rule 26.1 of the Takeovers Code.

The Offeror has made an application to the Executive for confirmation as to the application of the "chain principle" in Note 8 to Rule 26.1 of the Takeovers Code. The Executive has confirmed that the Offeror will not be required to make a general offer for all the issued shares of Easykmit Enterprises under Note 8 to Rule 26.1 of the Takeovers Code as a result of the Offer.

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## LETTER FROM KINGSTON SECURITIES AND ALTUS INVESTMENTS

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### GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of Shares by each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in the names of nominee to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer. Your attention is drawn to the section headed “Procedures for acceptance and settlement” in Appendix I of this Composite Offer Document.

### ADDITIONAL INFORMATION

Your attention is drawn to the accompanying Form of Acceptance and Transfer and the additional information set out in the appendices which form part of this Composite Offer Document. Your attention is drawn to the “Letter from the Board” in this Composite Offer Document.

Yours faithfully,

For and on behalf of

**Kingston Securities Limited**

**Nicholas Chu**

*Director*

**Altus Investments Limited**

**Arnold Ip**

*Executive Director*



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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  
*(Chairman & Chief Executive Officer)*  
Ms. Lui Yuk Chu *(Vice President)*  
Ms. Koon Ho Yan, Candy

*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:*

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

*Independent non-executive Directors:*

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

24 June 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY  
KINGSTON SECURITIES LIMITED  
AND  
ALTUS INVESTMENTS LIMITED  
ON BEHALF OF  
SEA REJOICE LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF  
EASYKNIT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
SEA REJOICE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

On 28 May 2010, the Offeror and the Company jointly announced that the Offeror intended to make the Offer (in compliance with the Takeovers Code) through Kingston Securities and Altus Investments for all the Shares not already owned or agreed to be acquired by the Offeror and parties

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## LETTER FROM THE BOARD

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acting in concert with it, at an offer price of HK\$3.30 per Offer Share. The purpose of the Composite Offer Document, of which this letter forms a part, is to provide you with, among other things, (i) the information relating to the Group and the Offer; (ii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Offer; and (iii) the letter from Access Capital containing its advice to the Independent Board Committee and Independent Shareholders in respect of the Offer.

### THE OFFER

Kingston Securities and Altus Investments, on behalf of the Offeror, hereby offer to acquire, on the terms and subject to the conditions set out in this Composite Offer Document and in the Form of Acceptance and Transfer, all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer is made on the following basis:

**For each Offer Share . . . . . HK\$3.30 in cash**

As at the Latest Practicable Date, there were 79,420,403 Shares in issue. At the Offer Price of HK\$3.30 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$262.09 million under the Offer.

As at the Latest Practicable Date, there were no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

As at the Latest Practicable Date, Magical Profits, being a party acting in concert with the Offeror, owned 29,179,480 Shares (representing approximately 36.74% of the issued share capital of the Company). The number of Shares that are subject to the Offer is therefore 50,240,923 Shares, and the Offer is valued at approximately HK\$165.80 million based on the Offer Price.

## LETTER FROM THE BOARD

### SHAREHOLDING OF THE COMPANY

As at the Latest Practicable Date, there were 79,420,403 Shares in issue. Other than the Shares, there are no convertible securities, warrants, options, derivatives or other securities convertible into Shares issued by Easyknit International. There have been no dealings in the Shares by the Offeror and parties acting in concert with it during the Relevant Period. The shareholdings in the Company (i) as at the Latest Practicable Date; and (ii) for illustration purpose only, immediately following the completion of the Offer are as follows:

	for illustration purpose only							
	As at Latest Practicable Date		Immediately following the completion of the Offer (assuming minimum acceptance) <i>(Note a)</i>		Immediately following the completion of the Offer (assuming maximum acceptance) <i>(Note b)</i>		Immediately following the completion of the Offer (assuming minimum level of public float) <i>(Note c)</i>	
	<i>No. of Shares held</i>	<i>Approx. % of issued Shares</i>	<i>No. of Shares held</i>	<i>Approx. % of issued Shares</i>	<i>No. of Shares held</i>	<i>Approx. % of issued Shares</i>	<i>No. of Shares held</i>	<i>Approx. % of issued Shares</i>
	<i>held</i>	<i>Shares</i>	<i>held</i>	<i>Shares</i>	<i>held</i>	<i>Shares</i>	<i>held</i>	<i>Shares</i>
Offeror (and its concert parties) <i>(Note d)</i>	29,179,480	36.74	39,789,622	50.10	79,420,403	100.00	59,565,302	75.00
Other Shareholders	50,240,923	63.26	39,630,781	49.90	—	—	19,855,101	25.00
<b>Total</b>	<u>79,420,403</u>	<u>100.00</u>	<u>79,420,403</u>	<u>100.00</u>	<u>79,420,403</u>	<u>100.00</u>	<u>79,420,403</u>	<u>100.00</u>

*Notes:*

- (a) Upon satisfaction of the condition of the Offer that valid acceptances have been received by the Offeror which, together with the Shares already held by the Offeror and parties acting in concert with it, constitute more than 50% of the voting rights of Easyknit International, and assuming the Offeror and its concert parties will hold 50.1% of Shares in issue following the completion of the Offer.
- (b) Assuming the Offer is accepted in full following the completion of the Offer and before any required action is taken to restore the public float of Easyknit International to 25%.
- (c) Assuming there is minimum public float of 25% and the Offeror and its concert parties hold 75% of the Shares in issue following the completion of the Offer.
- (d) These Shares are registered in the name of and are beneficially owned by Magical Profits, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Ms. Lui Yuk Chu, an executive Director and Vice President of Easyknit International, wholly-owns the Offeror. Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of the Magical 2000 Trust.

### INFORMATION ON THE GROUP

The Group is principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, property investments and development, investments in securities and loan financing. As announced by Easyknit International on 8 December 2009, the Group disposed of

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## LETTER FROM THE BOARD

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three companies, Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited (which carry on garment trading business) to Easyknit Enterprises. The disposal was approved by Shareholders at the special general meeting of Easyknit International held on 17 February 2010. Easyknit International was incorporated in Bermuda on 8 September 1994 and has been listed on the Stock Exchange since 1995. Easyknit International is now an investment holding company for the Group.

As at 31 March 2009, the audited consolidated net assets of the Group were approximately HK\$1,365.18 million, or HK\$17.19 per Share. The table below shows the audited consolidated turnover, profit before taxation and profit after taxation of the Group for the three years ended 31 March 2007, 2008 and 2009.

	31 March		
	2007	2008	2009
	Audited	Audited	Audited
	HK\$'000	HK\$'000	HK\$'000
Turnover	557,737	521,339	458,068
(Loss) profit before taxation	(109,470)	60,100	(106,390)
(Loss) profit after taxation	(115,597)	64,336	(101,384)

### INTENTIONS OF THE OFFEROR

The Board noted that the Offeror intends to continue the Group's existing businesses and maintain the listing status of Easyknit International on the Stock Exchange after the close of the Offer. Your attention is drawn to the section headed "INTENTIONS OF THE OFFEROR REGARDING EASYKNIT INTERNATIONAL AND THE GROUP" in the "Letter from Kingston Securities and Altus Investments" of this Composite Offer Document.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent board committee comprising all the non-executive Directors all of whom are independent of the Offeror, namely Mr. Tse Wing Chiu, Ricky, Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun, has been appointed to advise the Independent Shareholders in respect of the Offer.

Access Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer. The appointment of Access Capital has been approved by the Independent Board Committee.

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## LETTER FROM THE BOARD

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### MAINTAIN LISTING/PUBLIC FLOAT OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares, or
- there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon completion of the Offer, there may be insufficient public float for the Shares and therefore, trading in the Shares may be suspended until a prescribed level of public float is attained.

As set out in the “Letter from Kingston Securities and Altus Investments” of this Composite Offer Document, the Offeror intends for the Company to remain listed on the Stock Exchange. The Offeror has stated that it may enter into a conditional placing arrangement to place out Shares in order to ensure that a prescribed level of public float is attained in the event that the Offeror acquires more than 75% issued Shares pursuant to the Offer.

### RECOMMENDATIONS

The recommendation of the Independent Board Committee is set out in the “Letter from the Independent Board Committee” on pages 18 to 19 of this Composite Offer Document. Your attention is also drawn to the “Letter from Access Capital” on pages 20 to 33 of this Composite Offer Document which sets out its recommendation in relation to the Offer and the principal factors considered by it in arriving at its recommendation. Your attention is also drawn to the additional information set out in the appendices contained in this Composite Offer Document.

### ADDITIONAL INFORMATION

Your attention is drawn to the announcements of the Company dated 17 June 2010 in relation to the investigation by the Commercial Crime Bureau on Planetic International Limited, a wholly-owned subsidiary of the Company. As announced by the Company, the Board believes the above will not have a material adverse impact on the operations and financial position of the Group.

Yours faithfully,  
For and on behalf of  
**Easyknit International Holdings Limited**  
**Kwong Jimmy Cheung Tim**  
*President and Chief Executive Officer*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

24 June 2010

*To the Independent Shareholders,*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY  
KINGSTON SECURITIES LIMITED  
AND  
ALTUS INVESTMENTS LIMITED  
ON BEHALF OF  
SEA REJOICE LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF  
EASYKNIT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
SEA REJOICE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer document dated 24 June 2010 jointly issued by the Company and the Offeror in relation to the Offer (the “Composite Offer Document”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein have the same meanings as defined in the Composite Offer Document.

On 28 May 2010, the Offeror and the Company jointly announced that the Offeror intended to make the Offer (in compliance with the Takeovers Code) through Kingston Securities and Altus Investments for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at an offer price of HK\$3.30 per Offer Share.

Details of the Offer are set out in the “Letter from the Board” on pages 13 to 17 and the “Letter from Kingston Securities and Altus Investments” on pages 5 to 12 of this Composite Offer Document.

We have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable, and to make a recommendation to the Independent Shareholders in respect of the Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Access Capital has been appointed as the Independent Financial Adviser to advise us as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer. Your attention is drawn to the letter from the Independent Financial Adviser as set out on pages 20 to 33 of this Composite Offer Document.

Having taken into account the terms of the Offer, and the advice and recommendation of Access Capital, we consider that the terms of the Offer are not fair and reasonable so far as the Shareholders are concerned and recommend the Shareholders not to accept the Offer.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Tse Wing Chiu, Ricky**

*Non-Executive  
Director*

**Tsui Chun Kong**

*Independent  
Non-Executive Director*

**Jong Koon Sang**

*Independent  
Non-Executive Director*

**Hon Tam Chun**

*Independent  
Non-Executive Director*

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## LETTER FROM ACCESS CAPITAL

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*The following is the text of a letter of advice from Access Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Composite Offer Document, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Offer.*



Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

24 June 2010

*To: the Independent Board Committee and  
the Independent Shareholders of Easyknit International Holdings Limited*

Dear Sirs,

**VOLUNTARY CONDITIONAL OFFER BY  
KINGSTON SECURITIES LIMITED  
AND  
ALTUS INVESTMENTS LIMITED  
ON BEHALF OF  
SEA REJOICE LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES  
IN THE SHARE CAPITAL OF  
EASYKNIT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
SEA REJOICE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

### **I. INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the composite offer document to the Shareholders dated 24 June 2010 (the “Composite Offer Document”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer. Unless otherwise stated, terms used in this letter shall have the same meanings as those defined in the Composite Offer Document.

On 28 May 2010, the Company and the Offeror jointly announced that the Offeror intended to make the Offer (in compliance with the Takeovers Code) through Kingston Securities and Altus Investments for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at an offer price of HK\$3.30 per Offer Share.



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## LETTER FROM ACCESS CAPITAL

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As at the Latest Practicable Date, there were 79,420,403 Shares in issue, of which 29,179,480 Shares (representing approximately 36.74% of the issued share capital of Easyknit International) were held by Magical Profits, a party acting in concert with the Offeror.

As stated in the letter from Kingston Securities and Altus Investments, in order to increase its degree of control over Easyknit International, the Offeror wishes to increase its (and its concert parties') shareholding of Easyknit International to over 50% while maintaining Easyknit International's existing businesses of property investments, investments in securities and loan financing.

If statutory control can be gained, the Offeror and parties acting in concert with it will no longer be subject to the creeper provisions of the Takeovers Code and will have more flexibility in increasing and decreasing investment in the Company should they wish to do so. There will also be administrative benefits, for example when conducting major transactions where written confirmations from the majority Shareholder or a closely-connected group of Shareholders, who together hold more than 50% in nominal value of the Shares giving the right to attend and vote at the general meeting to approve the transaction, would suffice instead of the Company having to hold Shareholders' meetings, which in turn saves time and costs.

### II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of three executive Directors, namely Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan, Candy; a non-executive Director, namely Mr. Tse Wing Chiu, Ricky; and three independent non-executive Directors, namely Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun.

An Independent Board Committee comprising all the non-executive Directors has been established for the purpose of advising the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these respects, and to give our opinion in relation to the Offer for the Independent Board Committee's consideration when making its recommendation to the Independent Shareholders.

### III. BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Composite Offer Document and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Offer Document or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Composite Offer Document. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Composite Offer

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## LETTER FROM ACCESS CAPITAL

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Document have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Composite Offer Document.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

We have not considered the tax consequences on the Shareholders of acceptance of the Offer since these are particular to their individual circumstances. In particular, Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

#### **IV. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion regarding the Offer, we have taken into consideration the following principal factors and reasons:

##### **1. Historical financial performance of the Group**

The Group is principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, property investments and development, investments in securities and loan financing. As announced by Easyknit International on 8 December 2009, the Group disposed of three companies, Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited (which carry on garment trading business) to Easyknit Enterprises. The disposal was approved by Shareholders at the special general meeting of Easyknit International held on 17 February 2010. Easyknit International was incorporated in Bermuda on 8 September 1994 and has been listed on the Stock Exchange since 1995. Easyknit International is now an investment holding company for the Group.

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## LETTER FROM ACCESS CAPITAL

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Set out below is the summary of financial information of the Group for the two year ended 31 March 2008 and 2009 and the six months ended 30 September 2008 and 2009 as extracted from the annual report of the Company for the year ended 31 March 2009 (the “Annual Report”) and the interim report of the Company for the six months ended 30 September 2009 (the “Interim Report”):

	<b>For the year ended</b>		<b>For the</b>	
	<b>31 March</b>		<b>six months ended</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>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover from:				
Garment sourcing and exporting	427,428	487,806	226,638	200,927
Property investments	28,452	27,453	14,897	13,772
Property development	2,188	6,080	—	2,188
Total	458,068	521,339	241,535	216,887
Gross profit	84,156	97,198	42,935	42,859
(Loss) / profit before taxation	(106,390)	60,100	101,815	(57,443)
(Loss) / profit for the year / period attributable to equity holders of the Company	(101,384)	64,336	85,594	(49,286)
			<b>As at</b>	<b>As at</b>
			<b>31 March</b>	<b>30 September</b>
			<b>2009</b>	<b>2009</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Audited)</i>	<i>(Unaudited)</i>
Assets:				
Non-current assets			807,257	849,016
Current assets			636,645	759,392
Total assets			1,443,902	1,608,408
Liabilities:				
Non-current liabilities			14,686	29,857
Current liabilities			64,032	97,002
Total liabilities			78,718	126,859
Net assets			1,365,184	1,481,549

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

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## LETTER FROM ACCESS CAPITAL

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Loss attributable to shareholders was approximately HK\$101,384,000 for the year ended 31 March 2009 as compared to profit attributable to shareholders of approximately HK\$64,336,000 for the corresponding financial year in 2008. As stated in the Annual Report, such loss was mainly attributable to (i) a decrease in sales of the garment sourcing and exporting business due to the slowdown in the economy of the United States, the major market of the Group; (ii) the loss arising on changes in fair value of investment properties of approximately HK\$21,760,000 and the impairment loss on property held for development of approximately HK\$25,632,000; (iii) the loss due to the fair value changes of investments held for trading of approximately HK\$60,408,000; and (iv) the increase in share of loss of associates.

For the six months ended 30 September 2009, the Group recorded a turnover of approximately HK\$241,535,000, representing an increase of approximately 11.4% as compared to approximately HK\$216,887,000 for the same period last year. Gross profit slightly increased to approximately HK\$42,935,000 from approximately HK\$42,859,000 for the corresponding period last year. Gross profit margin decreased from 19.8% to 17.8%.

Profit attributable to shareholders was approximately HK\$85,594,000 for the six months ended 30 September 2009 as compared to loss attributable to shareholders of approximately HK\$49,286,000 for the corresponding period in 2008. As stated in the Interim Report, such profit was mainly attributable to (i) the gain arising on changes in fair value of investment properties of approximately HK\$59,103,000 (six months ended 30 September 2008: loss of approximately HK\$16,850,000), (ii) the gain on fair value changes of investments held for trading of approximately HK\$24,659,000 (six months ended 30 September 2008: loss of approximately HK\$42,881,000), and (iii) no impairment loss on available-for-sale investments was recognised (six months ended 30 September 2008: loss of approximately HK\$22,699,000) during the period. As at 30 September 2009, the unaudited net assets value of the Group was approximately HK\$1,481.5 million.

In order to further expand the Group's property investment portfolio, the Company announced on 16 October 2009 that 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 transactions were completed in December 2009.

With the view to focus on property investment and development business, on 8 December 2009, the Company announced that it had entered into an agreement with Quick Easy Limited, a wholly-owned subsidiary of Easyknit Enterprises Holdings Limited, in relation to the disposal of the garment trading business to Quick Easy Limited at a consideration of HK\$80 million in cash. The transaction was completed in March 2010.

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## LETTER FROM ACCESS CAPITAL

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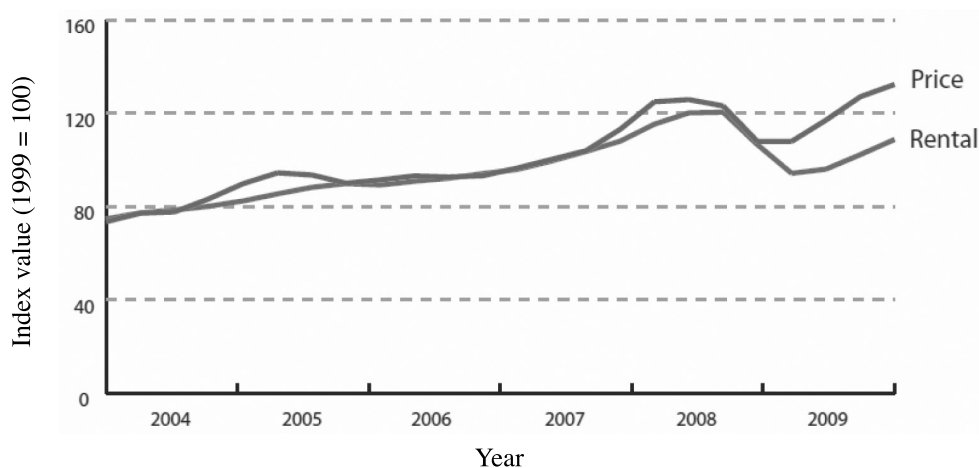
The Company further announced on 24 February 2010 that Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, as the buyer, entered into an agreement with Ng Kwai Tung (the “Seller”), pursuant to which Easyknit Properties Holdings Limited agreed to acquire the entire issued share capital of Chief Access Limited from the Seller for a total consideration of HK\$5.65 million. Chief Access Limited will, in turn, purchase the properties situated on Nos. 311A & 311C Prince Edward Road West, Kowloon, Hong Kong at a consideration of HK\$95.35 million. Upon completion of the acquisition and the purchase of certain properties by Chief Access Limited, the Group would have full ownership of the above mentioned properties. The transaction was completed in May 2010.

### 2. Prospects of the Group

As stated in the Interim Report, the Group believes that the Hong Kong property market will be undergoing a period of modulation and consolidation, and the Directors hold a watchfully positive attitude towards the property market.

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

According to the Hong Kong Property Review report published by the Rating and Valuation Department of the Hong Kong government in April 2010 (the “Report”), after undergoing a consolidation in the first quarter of 2009, prices in the private domestic secondary market continued to surge in the remaining quarters of the year with the overall price index recording a year-on-year growth of 23% at the end of 2009. However, performance of the leasing market was not as good as the sales market. Rents plunged in the first quarter of 2009 and despite the continuous rise in the following three quarters, the rental index at the end of 2009 exhibited a slight increase of 2% as compared with the end of 2008. Set out below is the price and rental index for private domestic units in Hong Kong from 2004 to 2009:



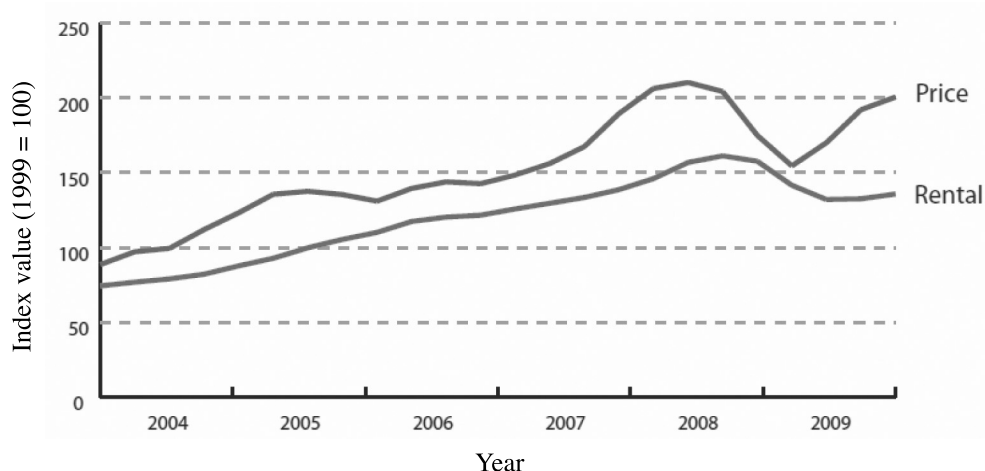
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## LETTER FROM ACCESS CAPITAL

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According to the Report, completions of private domestic units in 2009 were 7,160 units. It was the second year in a row that completions have dropped below 10,000 units. It is estimated that about 14,260 units and 10,960 units will be completed in 2010 and 2011 respectively.

As regards to the private office segment, prices recorded double-digit decline in the first quarter of 2009 and rebounded in the remainder of the year. The provisional price index at the end of 2009 was 15% higher than 2008. Rents fell sharply in the first half of the year and stabilised afterwards. The provisional rental index at the end of 2009 registered a decrease of 14% compared with the same period in 2008. Set out below is the price and rental index for private offices in Hong Kong from 2004 to 2009:



It is also noted that the Hong Kong government held three land auctions recently. On 11 May 2010, the Lands Department held the first land auction of the Hong Kong government's 2010-2011 financial year. A government lot in Tung Chung was sold for \$3.42 billion. On 24 May 2010, Hong Kong government sold a residential site in Fanling in an auction for HK\$1.33 billion. On 8 June 2010, a residential site in Ho Man Tin was sold in an auction for HK\$10.9 billion. The prices for the Tung Chung and Fanling site were below market expectation while the Ho Man Tin site was above market expectation, reflecting the recent mixed market sentiment for property development.

On 17 May 2010, the Housing Authority's Subsidised Housing Committee approved various issues and arrangements regarding the sale of surplus Home Ownership Scheme ("HOS") flats. Comprising the remaining stock of surplus HOS flats and the flats left over from a special sale exercise which will be completed in June, around 4,000 flats are priced with reference to a level affordable to eligible buyers as measured by their mortgage repayment ability.

It is noted that although the price for properties increased in 2009, the supply of housing units is expected to increase in the near future, which may bring downward pressure on housing prices. Accordingly, it should be noted that the prospects of the property development and investment industry in Hong Kong remain uncertain.

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## LETTER FROM ACCESS CAPITAL

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### 3. The Offer

Kingston Securities and Altus Investments, on behalf of the Offeror, offer to acquire, on the terms and subject to the conditions set out in the Composite Offer Document and in the Form of Acceptance and Transfer, all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it), at the Offer Price, on the following basis:

For each Offer Share . . . . . HK\$3.30 in cash

As at the Latest Practicable Date, there were 79,420,403 Shares in issue. At the Offer Price of HK\$3.30 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$262.09 million under the Offer.

Based on the issued share capital of the Company of 79,420,403 Shares as at the Latest Practicable Date, there are 50,240,923 Shares subject to the Offer after deducting the 29,179,480 Shares (representing approximately 36.74% of the issued share capital of the Company) held by Magical Profits Limited, a party acting in concert with the Offeror. The Offer is valued at approximately HK\$165.80 million based on the Offer Price.

The Offer Price of HK\$3.30 per Offer Share represents:

- (a) a premium of approximately 33.06% over the closing price of HK\$2.480 per Share, as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 25.86% over the average closing price of HK\$2.622 per Share, as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 22.91% over the average closing price of HK\$2.685 per Share, as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 6.45% over the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 82.31% to the unaudited consolidated net asset value per Share of approximately HK\$18.65 as at 30 September 2009.

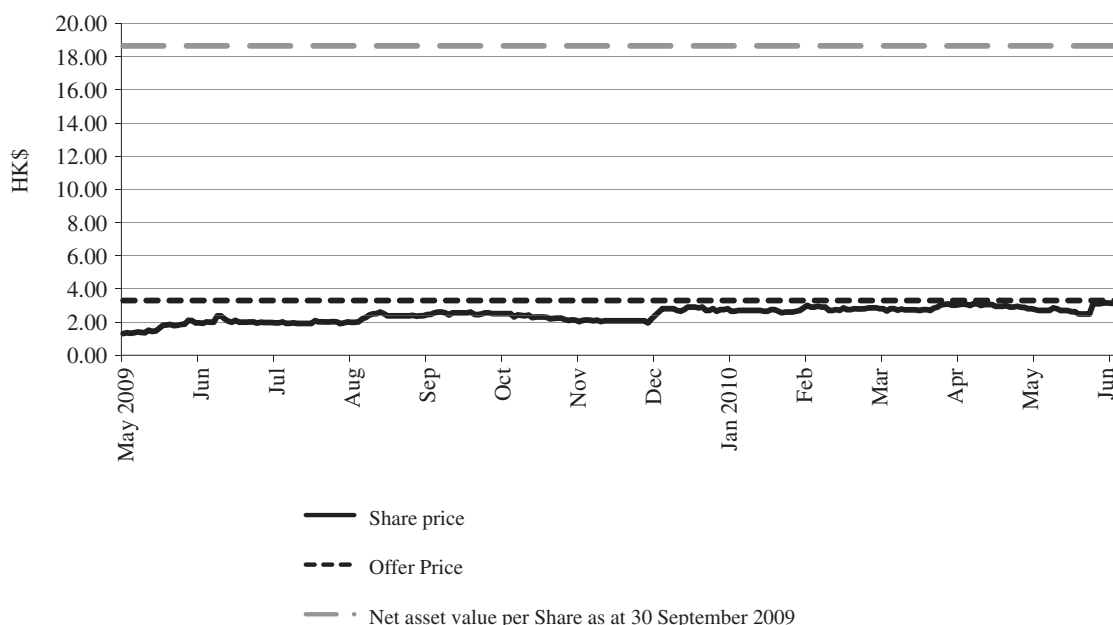
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## LETTER FROM ACCESS CAPITAL

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### 4. Historical Share price performance

The chart below illustrates the daily closing prices of the Shares as quoted on the Stock Exchange for the period from 1 May 2009 up to and including the Latest Practicable Date (the “Review Period”).



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in the above chart, during the Review Period, the Share prices have been oscillating between the range of HK\$1.30 and HK\$3.15. The closing prices of the Shares were trading between HK\$1.30 per Share (“Lowest Closing Price”) recorded on 4 May 2009 to HK\$3.15 (“Highest Closing Price”) per Share recorded on 3 and 4 June 2010. The Shares have been trading below the Offer Price during the Review Period. After the publication of the Joint Announcement, the Share price rose approximately 25.0% from the closing price of HK\$2.48 per Share on the Last Trading Date to HK\$3.10 per Share on 31 May 2010, being the first trading day of the Shares after the resumption of Shares.

Notwithstanding that the Offer Price is above the closing Share price during the Review Period, it should be noted that the unaudited net asset value of the Group as at 30 September 2009 was approximately HK\$18.65 per Share (“NAV per Share”) and the Offer Price represents a significant discount of approximately 82.31% to the NAV per Share.

The Offer Price of HK\$3.30 per Share represents (i) a premium of approximately 4.5% to the Highest Closing Price; (ii) a premium of approximately 153.8% over the Lowest Closing Price; and (iii) a discount of approximately 82.31% to the NAV per Share.

Notwithstanding the fact that the Offer Price is at a premium to the various yardsticks with reference to the closing Share prices as mentioned above, as the Offer Price deviates significant to the NAV per Share, we are of the view that, on balance, the Offer Price is not fair and reasonable to the Shareholders.



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## LETTER FROM ACCESS CAPITAL

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### 5. Historical liquidity of the Shares

Set out below is the average daily trading volume of the Shares during the Review Period and the percentages of average daily trading volume of the Shares to the total number of issued Shares as at the Latest Practicable Date and the free float of the Company (the “Free Float”).

Month/Period	Total trading volume (Number of Shares)	Average daily trading volume (Number of Shares) <i>(Note 1)</i>	Average daily trading volume to the total number of issued Shares (%)	Average daily trading volume to the Free Float (%) <i>(Note 2)</i>
<b>2009</b>				
May	20,021,045	1,053,739	1.33%	2.10%
June	14,051,195	638,691	0.80%	1.27%
July	17,037,632	709,901	0.89%	1.41%
August	26,288,694	1,752,580	2.21%	3.49%
September	7,089,484	322,249	0.41%	0.64%
October	10,613,136	589,619	0.74%	1.17%
November	6,333,255	633,326	0.80%	1.26%
December	36,070,472	1,898,446	2.39%	3.78%
<b>2010</b>				
January	33,808,888	1,690,444	2.13%	3.36%
February	12,634,743	701,930	0.88%	1.40%
March	716,098	31,135	0.04%	0.06%
April	960,736	50,565	0.06%	0.10%
May	865,397	50,906	0.06%	0.10%
June (up to and including the Latest Practicable Date)	915,315	61,021	0.08%	0.12%

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

- Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
- Free Float of 50,240,923 Shares is calculated based on the total number of issued shares of 79,420,403 Shares as at the Latest Practicable Date minus the 29,179,480 Shares held by the Offeror and parties acting in concert with it as at the Latest Practicable Date.

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## LETTER FROM ACCESS CAPITAL

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As illustrated in the above table, from May 2009 up to the Last Trading Day, the monthly average daily trading volume of the Shares was in the range of approximately 0.04% to approximately 2.39% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.06% to approximately 3.78% of the Free Float as at the Latest Practicable Date. After publication of the Joint Announcement up to the Latest Practicable Date, the average daily trading volume of the Shares was approximately 0.12% and approximately 0.18% of the total number of issued Shares and Free Float as at the Latest Practicable Date, respectively.

As shown from the above table, liquidity of the Shares was generally low during the Review Period.

### 6. Comparable analysis

We have also considered adopting the price to earnings approach, price to book approach and price to dividends approach in evaluation of the Company. However, as (i) the Group was loss making for the financial year ended 31 March 2009 and (ii) no dividend was distributed for the financial year ended 31 March 2009, we consider the comparable analysis with price to earnings and price to dividends approaches are not applicable.

In order to access the fairness and reasonableness of the Offer Price, we have compared the price to book multiple (the “P/B ratio”) of the Company with selected comparable companies (“Comparable Companies”), being all companies listed on the Stock Exchange that (i) engage in property development and investment and (ii) had a market capitalisation of less than HK\$1.5 billion as at the Latest Practicable Date.

The table below illustrates the P/B ratio of the Comparable Companies:

<b>Company name (Stock code)</b>	<b>Principal business</b>	<b>Market capitalisation (HK\$ million)</b>	<b>P/B ratio (times)</b>
Goldbond Group Holdings Limited (172)	Provision of financial and property leasing and development	1,400	1.14
Keck Seng Investments (Hong Kong) Ltd. (184)	Property development, investment and management, hotel and club operation	1,391	1.17
Frasers Property (China) Limited (535)	Property investment, development and management of residential and business park projects	1,287	0.68

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**LETTER FROM ACCESS CAPITAL**

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<b>Company name (Stock code)</b>	<b>Principal business</b>	<b>Market capitalisation (HK\$ million)</b>	<b>P/B ratio (times)</b>
Hon Kwok Land Investment Company Limited (160)	Property development and investment	1,239	0.37
Soundwill Holdings Limited (878)	Property assembly, property development, property leasing and provision of building management services in Hong Kong and urban infrastructure facilities in the PRC	1,322	0.39
Asia Orient Holdings Limited (214)	Property management, development and investment, hotel, catering services and travel agency, and investments	935	0.27
Coastal Greenland Limited (1124)	Property development, property investment and provision of property management services	1,228	0.38
Maximum			1.17
Minimum			0.27
Average			0.63
The Company	sourcing and exporting of cotton-based knitted garments for infants, children and women, property investments and development, investment in securities and loan financing	262 <sup>(1)</sup>	0.18 <sup>(2)</sup>

*Notes:*

1. Based on the Offer Price of HK\$3.30.
2. Based on the unaudited net assets value of the Company of approximately HK\$1,481.5 million as at 30 September 2009 and the issued shares of 79,420,403 Shares of the Company as at the Latest Practicable Date, the unaudited net assets value per Share as at 30 September 2009 was approximately HK\$18.65. Based on the unaudited net assets value per Share and the Offer Price of HK\$3.30, the P/B ratio implied by the Offer Price is approximately 0.18 times.

As set out in the table above, the P/B ratio of the Comparable Companies ranges from 0.27 times to 1.17 times, with an average P/B ratio of 0.63 times. The P/B ratio of 0.18 times implied by the Offer Price is significantly lower than the range and the average P/B ratio of the Comparable Companies.

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## LETTER FROM ACCESS CAPITAL

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We wish to point out that the above comparison with the Comparable Companies is for illustrative purpose only as each of the Comparable Companies may not be entirely comparable to the Group in terms of the scale of operations, risk profile, and future prospects. Such factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, in forming our opinion, we have considered the results of the above comparison together with other factors stated in this letter as a whole.

### **7. Offeror's intentions in respect of the Company and the Group**

It is the intention of the Offeror to continue with the existing business of the Group notwithstanding the Offer. The Offeror does not intend to dispose of or redeploy the assets of the Group other than in the ordinary course of business and has no intention to change the existing management of the Group and will continue the employment of the Group's employees.

The Offeror also intends to maintain the listing status of the Company on the Stock Exchange after the close of the Offer and accordingly, will take appropriate steps to ensure that not less than 25% of the Shares will be held by the public.

It should therefore be noted that, upon completion of the Offer, there may be insufficient public float for the Shares, and therefore trading in the Shares may be suspended until a prescribed level of public float is attained. The Offeror may enter into a conditional placing arrangement to place out Shares in order to ensure the above in the event that the Offeror acquires more than 75% issued Shares pursuant to the Offer.

### **V. RECOMMENDATION**

Having considered the above-mentioned principal factors and reasons, in particular:

- (i) the Offer Price represents significant discount of approximately 82.31% to the unaudited net asset value of the Company as at 30 September 2009;
- (ii) the P/B ratio implied by the Offer Price is below the range of the P/B ratio of the Comparable Companies; and
- (iii) the operation of the Group improved and the Group returned to profitability for the six months ended 30 September 2009.

We consider that the Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

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## LETTER FROM ACCESS CAPITAL

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Shareholders are advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives. For those Shareholders who wish to realise whole or part of their Shares, they should closely monitor the market price and the liquidity of the Shares during the offer period and to dispose their Shares in the open market or accept the Offer if the Offer Price is higher than the then market Share price.

Yours faithfully,  
For and on behalf of  
**Access Capital Limited**

**Alexander Tai**  
*Principal Director*

**Jimmy Chung**  
*Principal Director*

**1. PROCEDURES FOR ACCEPTANCE AND SETTLEMENT**

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares, you must send the Form of Acceptance and Transfer duly completed together with the relevant original share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for all of your Shares or, if applicable, for not less than the number of Shares in respect of which you intend to accept the Offer to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event so as to reach the Company's branch share registrar in Hong Kong at the aforesaid address no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
- (i) lodge your original share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance and Transfer duly completed together with the relevant original share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for all of your Shares or, if applicable, for not less than the number of Shares in respect of which you intend to accept the Offer to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code; or
- (ii) arrange for the Shares to be registered in your name by the Company through the Company's branch share registrar in Hong Kong, and deliver the Form of Acceptance and Transfer duly completed together with the relevant original share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for all of your Shares or, if applicable, for not less than the number of Shares in respect of which you intend to accept the Offer to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Offer on your behalf on or before the deadline set by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System no later than the deadline set out by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and Transfer and deliver it to the Company's branch share registrar in Hong Kong together with the transfer receipt(s) duly signed by yourself. Such action will constitute an authority to the Joint Financial Advisers and/or the Offeror or their respective agent(s) to collect from the Company or the Company's branch share registrar in Hong Kong on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Company's branch share registrar in Hong Kong as if it was/they were delivered to the Company's branch share registrar in Hong Kong with the Form of Acceptance and Transfer.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and Transfer and deliver it to the Company's branch share registrar in Hong Kong together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Company's branch share registrar in Hong Kong as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Company's branch share registrar in Hong Kong for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company's branch share registrar in Hong Kong.

- (e) Acceptance of the Offer will be treated as effective and valid only if the completed Form of Acceptance and Transfer is received by the Company's branch share registrar in Hong Kong by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce as permitted under the Takeovers Code) and the Company's branch share registrar in Hong Kong has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph under this paragraph (e)); or
  - (iii) certified by the Company's branch share registrar in Hong Kong or the Stock Exchange. If the Form of Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Company's branch share registrar in Hong Kong must be produced.
- (f) No acknowledgement of receipt of any Form(s) of Acceptance and Transfer, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) In accordance with Rule 20.1 of the Takeovers Code, payment (less sellers' ad valorem stamp duty) will be posted to the accepting Independent Shareholders or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of the members of the Company, by ordinary post at their own risk as soon as possible but in any event within 10 days of the later of the date the Offer becomes or is declared unconditional and the date the Offeror acting through the Company's branch share registrar in Hong Kong receives a duly completed Form of Acceptance and Transfer. Relevant documents of title must be received by the Company's branch share registrar in Hong Kong to render each acceptance of the Offer complete and valid.
- (h) If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Company's branch share registrar in Hong Kong will be returned to the Independent Shareholders who have accepted the Offer by post, or such documents will be made available for collection, as soon as possible but in any event within 10 days after the Offer has lapsed.



**2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) The Offer is made on 24 June 2010, the date of posting of this Composite Offer Document, and is capable of acceptance on and from this date until the close of the Offer Period.
- (b) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date and the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Independent Shareholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (c) The Offeror may introduce new conditions to be attached to any revision to the terms of the Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised Offer and subject to the consent of the Executive.
- (d) If the closing date is extended, any reference in this document and in the Form of Acceptance and Transfer to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.
- (e) If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a “black” rainstorm warning signal in force between 9:00 a.m. and 4:00 p.m. on the First Closing Date, the time and date of the closing date of the Offer will be adjourned to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.

**3. ANNOUNCEMENTS**

- (a) As required by Rule 19 of the Takeovers Code, by 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offer. The Offeror must publish an announcement on the Stock Exchange’s website by 7:00 p.m. on the First Closing Date stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional (whether as to acceptances or in all respects). Such announcement must be republished in accordance with the requirements set out below on the next business day in accordance with the Takeovers Code. The announcement must state the total number of Shares and rights over Shares:
  - (i) for which acceptances of the Offer have been received;
  - (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and

- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or any persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold, and specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

In computing the total number of the Shares represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Registrar (as regards the Offer) no later than 4:00 p.m. on 15 July 2010 shall be included.

- (b) As required under the Takeovers Code regarding the publication of documents, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

#### **4. RIGHT OF WITHDRAWAL**

An acceptor of the relevant Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Company's branch share registrar in Hong Kong.

Such entitlement to withdraw shall be exercisable only until such time as the Offer becomes or is declared unconditional as to acceptances. Furthermore, Rule 19.2 of the Takeovers Code provides that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed "ANNOUNCEMENTS" above, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met. Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

If an accepting Shareholder withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the Shareholder, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance and Transfer to the relevant Shareholder.

#### **5. GENERAL**

- (a) All communications, notices, Forms of Acceptance and Transfer, certificates of Shares, transfer receipts, other documents of title or indemnities and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from

them, or their designated agents, at their own risk, and none of the Offeror, the Company, the Joint Financial Advisers, the Company's branch share registrar in Hong Kong or any of their respective directors, associates, agents, or any other person involved in the Offer, accepts any liability for any loss in postage or any other liabilities that may arise as a result.

- (b) Subject to the terms of the Takeovers Code, acceptance(s) of the Offer may, at the discretion of the Offeror, be treated as valid even if not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), but, in such cases, the cheque(s) for the consideration due will not be despatched or (as the case may be) made available for collection until the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), has/have been received by the Company's branch share registrar in Hong Kong or (as the case may be) the company secretary of the Company. However, such acceptances to the Offer will not be counted towards fulfilling the acceptance condition unless Rule 30.2 of the Takeovers Code has been fully complied with.
- (c) The provisions set out in the accompanying Form(s) of Acceptance and Transfer form part of the terms of the Offer.
- (d) The accidental omission to despatch this Composite Offer Document and/or Form(s) of Acceptance and Transfer or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (e) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance and Transfer by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (f) Due execution of the Form(s) of Acceptance and Transfer will constitute an irrevocable authority to the Offeror and/or the Joint Financial Advisers (or such person or persons as the Offeror and/or the Joint Financial Advisers may direct) to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Offer.
- (g) Acceptance of the Offer by any person will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the Joint Announcement or subsequently becoming attached to them, including the right to receive all dividends and distributions, if any, declared, made or paid on or after the date of the Joint Announcement.

- (h) References to the Offer in this Composite Offer Document and in the Forms of Acceptance and Transfer shall include any extension and/or revision thereof and references to the Offer becoming unconditional shall include a reference to the Offer being declared unconditional.
- (i) Seller's ad valorem stamp duty payable by the Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders in respect of the Shares accepted under the Offer.
- (j) Settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full (net of sellers' ad valorem stamp duty) in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.
- (k) The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself or herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such Overseas Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable and the Offeror, Easyknit International, the Joint Financial Advisers and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay. Acceptances of the Offer by any such person will constitute a warranty by such person that such person has observed and is permitted under all applicable laws and regulations to receive and accept the Offer and any revision thereof, and that he/she/it has obtained any requisite governmental, exchange control or other consents, complied with all other necessary formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her/it in connection with such acceptance in any territory, and that he/she/it has not taken or omitted to take any action which will or may result in the Offeror, the Company or the Joint Financial Advisers or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer and/or his/her/its acceptance thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

- (l) In relation to any acceptance of the Offer in respect of Shares which are held through CCASS, the Offeror reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance and transfer of the Offer, whether in order to comply with the facilities or requirements of CCASS or otherwise, provided that such alterations, additions or modifications are consistent with the requirements of the Takeovers Code or are otherwise made with the Executive's consent.
- (m) In making their decision, Shareholders must rely on their own examination of the Offeror and the terms of the Offer, including the merits and risks involved. The contents of this Composite Offer Document, including any general advice or recommendations contained herein, and the Form of Acceptance and Transfer are not to be construed as legal or business advice. Shareholders could consult with their own professional advisers for professional advice.
- (n) If the Offer lapses for any reason, it shall cease to be capable of further acceptances and the Offeror and Kingston Securities and Altus Investments shall cease to be bound by any of the prior acceptances.
- (o) The Offer is being made by the issue and despatch of this Composite Offer Document on 24 June 2010.
- (p) The Offer is made in accordance with the Takeovers Code.
- (q) The English text of this Composite Offer Document and of the Forms of Acceptance and Transfer shall prevail over the Chinese text for the purpose of interpretation.

**A. SUMMARY OF FINANCIAL STATEMENTS FOR THE LAST THREE FINANCIAL YEARS**

Set out below is the financial information of the Group for each of the three years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009 (extracted from Appendix I- Accountants' report of the Group issued by Deloitte Touche Tohmatsu as set out in the circular of the Company dated 29 January 2010). The auditor's reports issued by Deloitte Touche Tohmatsu in respect of the Group's audited consolidated financial statements for each of the three years ended 31 March 2007, 2008 and 2009 and contained in the circular referred to above did not contain any qualifications. During each of the three years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, (i) there was no extraordinary item or exceptional item or minority interest; and (ii) the Group had not declared any dividend. Terms used in this section have been modified to conform with the current presentation of this Composite Offer Document.

## Consolidated statement of comprehensive income

	NOTES	Year ended 31 March			Six months ended 30 September	
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
Turnover	7	557,737	521,339	458,068	216,887	241,535
Cost of sales		<u>(454,276)</u>	<u>(424,141)</u>	<u>(373,912)</u>	<u>(174,028)</u>	<u>(198,600)</u>
Gross profit		103,461	97,198	84,156	42,859	42,935
Other income		14,686	24,037	18,025	11,797	6,626
Distribution and selling expenses		(14,526)	(11,747)	(9,805)	(4,868)	(5,200)
Administrative expenses		(50,868)	(45,460)	(49,288)	(24,431)	(22,294)
Gain (loss) arising on changes in fair value of investment properties		7,370	52,928	(21,760)	(16,850)	59,103
Gain (loss) on fair value changes of investments held for trading		1,235	(9,690)	(60,408)	(42,881)	24,659
Gain (loss) on fair value changes of structured deposit		—	—	795	(311)	1,047
Gain on partial disposal of interests in associates	9	—	—	1,021	1,021	—
(Loss) gain on disposal of available-for-sale investments		(43,027)	(7,594)	3,803	3,803	—
Impairment loss on available-for-sale investments	10	(121,465)	(33,163)	(32,162)	(22,699)	—
Impairment loss on loans receivable		(2,160)	—	—	—	—
Impairment loss on trade and other receivables		(20)	—	—	—	—
Impairment loss on properties held for development	11	—	—	(25,632)	—	—
Share of results of associates		(4,125)	(6,399)	(15,044)	(4,883)	(5,061)
Finance costs - Interest on bank borrowings wholly repayable within five years		<u>(31)</u>	<u>(10)</u>	<u>(91)</u>	<u>—</u>	<u>—</u>
(Loss) profit before taxation	12	(109,470)	60,100	(106,390)	(57,443)	101,815
Taxation (charge) credit	14	<u>(6,127)</u>	<u>4,236</u>	<u>5,006</u>	<u>8,157</u>	<u>(16,221)</u>
(Loss) profit for the year/period attributable to owners of the Company		<u>(115,597)</u>	<u>64,336</u>	<u>(101,384)</u>	<u>(49,286)</u>	<u>85,594</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	NOTE	Year ended 31 March			Six months ended 30 September	
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
Other comprehensive income (expenses)						
Exchange difference arising on translation of foreign operations		—	—	(33)	1	—
Share of translation reserve of associates		1,828	3,799	1,098	1,109	—
Revaluation of leasehold properties upon transfer to investment properties		2,521	—	—	—	—
Reclassification adjustment relating to disposal of available-for-sale investments		50,263	7,594	(3,803)	(3,803)	—
Reclassification adjustment relating to impairment loss on available-for-sale investments		121,465	33,163	32,162	22,699	—
Change in fair value of available-for-sale investments		<u>(8,288)</u>	<u>(8,541)</u>	<u>(32,385)</u>	<u>(22,922)</u>	<u>30,771</u>
Other comprehensive income (expenses) for the year/period attributable to owners of the Company		<u>167,789</u>	<u>36,015</u>	<u>(2,961)</u>	<u>(2,916)</u>	<u>30,771</u>
Total comprehensive income (expenses) for the year/period attributable to owners of the Company		<u>52,192</u>	<u>100,351</u>	<u>(104,345)</u>	<u>(52,202)</u>	<u>116,365</u>
Basic (loss) earnings per share	16	<u>HK\$(0.260)</u>	<u>HK\$0.081</u>	<u>HK\$(0.128)</u>	<u>HK\$(0.062)</u>	<u>HK\$0.108</u>



## Consolidated statement of financial position

	NOTES	As at 31 March			As at 30
		2007	2008	2009	September
		HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	18	17,938	16,428	15,489	14,976
Properties held for development	19	156,283	—	99,000	108,231
Investment properties	20	606,170	566,680	544,920	552,251
Intangible asset	21	921	921	921	921
Interests in associates	22	60,590	94,438	113,036	107,975
Available-for-sale investments	23	84,830	79,812	33,891	64,662
Loans receivable	28	5,125	83	—	—
		<u>931,857</u>	<u>758,362</u>	<u>807,257</u>	<u>849,016</u>
<b>Current assets</b>					
Properties held for development	19	—	178,587	181,204	191,678
Properties held for sale	24	7,228	1,822	—	—
Investments held for trading	25	41,566	139,033	93,420	71,066
Inventories	26	9,866	2,942	3,490	1,155
Trade and other receivables	27	49,278	32,143	44,060	27,300
Loans receivable	28	43,255	134,000	86,068	77,110
Bills receivable	29	46,661	30,826	39,180	37,919
Tax recoverable		—	368	31	31
Structured deposit	30	—	—	24,045	—
Bank balances and cash	31	343,353	281,315	165,147	301,309
		<u>541,207</u>	<u>801,036</u>	<u>636,645</u>	<u>707,568</u>
Asset classified as held for sale	32	—	—	—	51,824
		<u>541,207</u>	<u>801,036</u>	<u>636,645</u>	<u>759,392</u>
<b>Current liabilities</b>					
Trade and other payables	33	46,903	40,482	28,692	58,693
Bills payable	34	4,648	3,566	9,683	11,633
Tax payable		24,102	23,978	25,657	26,676
		<u>75,653</u>	<u>68,026</u>	<u>64,032</u>	<u>97,002</u>
Net current assets		<u>465,554</u>	<u>733,010</u>	<u>572,613</u>	<u>662,390</u>
		<u>1,397,411</u>	<u>1,491,372</u>	<u>1,379,870</u>	<u>1,511,406</u>
<b>Capital and reserves</b>					
Share capital	35	7,942	7,942	7,942	7,942
Reserves		<u>1,361,236</u>	<u>1,461,587</u>	<u>1,357,242</u>	<u>1,473,607</u>
		1,369,178	1,469,529	1,365,184	1,481,549
<b>Non-current liabilities</b>					
Deferred taxation	37	28,233	21,843	14,686	29,857
		<u>1,397,411</u>	<u>1,491,372</u>	<u>1,379,870</u>	<u>1,511,406</u>

## Consolidated statement of changes in equity

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note a)	Translation reserve HK\$'000	Special reserve HK\$'000 (note b)	Contributed surplus HK\$'000 (note c)	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000 (note d)	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2006	132,367	4,412	—	737	9,800	220,937	(191,630)	—	1,900	852,405	1,030,928
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(8,288)	—	—	—	(8,288)
Impairment loss on available-for-sale investments	—	—	—	—	—	—	121,465	—	—	—	121,465
Released on disposal of available-for-sale investments	—	—	—	—	—	—	50,263	—	—	—	50,263
Share of translation reserve of associates	—	—	—	1,828	—	—	—	—	—	—	1,828
Revaluation of leasehold properties upon transfer to investment properties	—	—	—	—	—	—	—	2,521	—	—	2,521
Loss for the year	—	—	—	—	—	—	—	—	—	(115,597)	(115,597)
Total comprehensive income (expenses) for the year	—	—	—	1,828	—	—	163,440	2,521	—	(115,597)	52,192
Rights issue of shares at a price of HK\$0.12 per rights share (see note 35(b))	66,184	13,237	—	—	—	—	—	—	—	—	79,421
Rights issue of shares at a price of HK\$0.35 per rights share (see note 35(c))	5,956	202,522	—	—	—	—	—	—	—	—	208,478
Share issue expenses	—	(1,841)	—	—	—	—	—	—	—	—	(1,841)
Reduction of share capital upon capital reorganisation (see note 35(a))	(196,565)	—	196,565	—	—	—	—	—	—	—	—
Transfer the share option reserve to accumulated profits	—	—	—	—	—	—	—	—	(1,900)	1,900	—
At 31 March 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)
Impairment loss on available-for-sale investments	—	—	—	—	—	—	33,163	—	—	—	33,163
Released on disposal of available-for-sale investments	—	—	—	—	—	—	7,594	—	—	—	7,594
Share of translation reserve of associates	—	—	—	3,799	—	—	—	—	—	—	3,799
Profit for the year	—	—	—	—	—	—	—	—	—	64,336	64,336
Total comprehensive income for the year	—	—	—	3,799	—	—	32,216	—	—	64,336	100,351
At 31 March 2008	7,942	218,330	196,565	6,364	9,800	220,937	4,026	2,521	—	803,044	1,469,529

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Attributable to owners of the Company										
Share capital	Share premium	Capital reserve	Translation reserve	Special reserve	Contributed surplus	Investment revaluation reserve	Property revaluation reserve	Share option reserve	Accumulated profits	Total
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note a)</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note b)</i>	<i>HK\$'000</i> <i>(note c)</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note d)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in fair value of available-for-sale investments	—	—	—	—	—	(32,385)	—	—	—	(32,385)
Impairment loss on available-for-sale investments	—	—	—	—	—	32,162	—	—	—	32,162
Released on disposal of available-for-sale investments	—	—	—	—	—	(3,803)	—	—	—	(3,803)
Share of translation reserve of associates	—	—	1,098	—	—	—	—	—	—	1,098
Exchange difference arising on translation of foreign operations	—	—	(33)	—	—	—	—	—	—	(33)
Loss for the year	—	—	—	—	—	—	—	—	(101,384)	(101,384)
Total comprehensive income (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
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
At 30 September 2009	7,942	218,330	196,565	7,429	9,800	220,937	30,771	2,521	787,254	1,481,549
Unaudited										
At 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	—	—	—	—	—	(22,922)	—	—	—	(22,922)
Impairment loss on available-for-sale investments	—	—	—	—	—	22,699	—	—	—	22,699
Released on disposal of available-for-sale investments	—	—	—	—	—	(3,803)	—	—	—	(3,803)
Share of translation reserve of associates	—	—	1,109	—	—	—	—	—	—	1,109
Exchange difference arising on translation of foreign operations	—	—	1	—	—	—	—	—	—	1
Loss for the period	—	—	—	—	—	—	—	—	(49,286)	(49,286)
Total comprehensive income (expenses) for the period	—	—	1,110	—	—	(4,026)	—	—	(49,286)	(52,202)
At 30 September 2008	7,942	218,330	196,565	7,474	9,800	220,937	2,521	—	753,758	1,417,327

*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 statement of cash flows

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Cash flow from operating activities					
(Loss) profit before taxation	(109,470)	60,100	(106,390)	(57,443)	101,815
Adjustments for:					
Share of results of associates	4,125	6,399	15,044	4,883	5,061
Interest income	(11,492)	(17,484)	(11,211)	(6,109)	(2,742)
Interest expense	31	10	91	—	—
Depreciation of property, plant and equipment	1,510	1,140	1,086	547	525
Amortisation of land portion of properties held for development	—	—	899	—	790
Impairment loss on available-for-sale investments	121,465	33,163	32,162	22,699	—
Impairment loss on loans receivable	2,160	—	—	—	—
Impairment loss on inventories	1,021	—	—	—	—
Impairment loss (reversal of impairment loss) on trade and other receivables	20	(12)	—	—	—
Impairment loss on properties held for development	—	—	25,632	—	—
Loss (gain) on disposal of available-for-sale investments	43,027	7,594	(3,803)	(3,803)	—
Dividend income from listed investments	(1,275)	(2,503)	(5,591)	(5,270)	(3,534)
(Gain) loss on fair value changes of investments held for trading	(1,235)	9,690	60,408	42,881	(24,659)
(Gain) loss arising on changes in fair value of investment properties	(7,370)	(52,928)	21,760	16,850	(59,103)
Gain on partial disposal of interests in associates	—	—	(1,021)	(1,021)	—
(Gain) loss on fair value changes of structured deposit	—	—	(795)	311	(1,047)
Operating profit before movements in working capital	42,517	45,169	28,271	14,525	17,106

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Increase in properties held for development	(156,283)	(22,304)	(128,148)	(34,231)	(20,495)
Decrease in properties held for sale	7,198	5,406	1,822	1,822	—
(Increase) decrease in investments held for trading	(36,731)	(107,157)	(14,795)	(17,503)	47,013
(Increase) decrease in inventories	(3,121)	6,924	(548)	732	2,335
Decrease (increase) in loans receivable	15,513	(85,703)	48,015	14,103	8,958
Decrease (increase) in trade and other receivables	22,928	17,147	(11,917)	(27,921)	16,760
(Increase) decrease in bills receivable	(29,441)	15,835	(8,354)	4,109	1,261
Increase (decrease) in trade and other payables	5,149	(6,421)	(11,790)	(4,549)	14,454
Increase (decrease) in bills payable	<u>134</u>	<u>(1,082)</u>	<u>6,117</u>	<u>3,883</u>	<u>1,950</u>
Cash (used in) from operations	(132,137)	(132,186)	(91,327)	(45,030)	89,342
Hong Kong Profits Tax paid	(634)	(2,646)	(135)	(135)	(31)
Hong Kong Profits Tax refunded	301	—	—	—	—
Loan interest received	2,862	3,370	7,658	3,338	1,604
Dividend received from investments held for trading	<u>688</u>	<u>1,508</u>	<u>2,663</u>	<u>2,342</u>	<u>1,936</u>
Net cash (used in) from operating activities	<u>(128,920)</u>	<u>(129,954)</u>	<u>(81,141)</u>	<u>(39,485)</u>	<u>92,851</u>
Cash flows from investing activities					
Proceeds from disposal of available-for-sale investments	29,577	50,417	13,536	13,536	—
Bank interest received	8,630	14,114	3,553	2,771	1,138
Dividend received from available-for-sale investments	587	995	2,928	2,928	1,598
Deposit received in respect of disposal of an investment property	—	—	—	—	15,547
Capital contribution to associates	—	(36,448)	(31,523)	—	—
Purchase of available-for-sale investments	(21,472)	(53,940)	—	—	—
Purchase of structured deposit	—	—	(23,250)	(23,250)	—

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchase of property, plant and equipment	(1,837)	(206)	(147)	(141)	(12)
Proceeds on maturity of structured deposit	—	—	—	—	25,092
Proceeds from disposal of investment properties	—	92,418	—	—	—
Proceeds from disposal of property, plant and equipment	—	576	—	—	—
Increase in bank deposit with original maturity over three months	—	—	—	(10,867)	—
Additions of investment properties	—	—	—	—	(52)
<b>Net cash from (used in) investing activities</b>	<b>15,485</b>	<b>67,926</b>	<b>(34,903)</b>	<b>(15,023)</b>	<b>43,311</b>
<b>Cash used in financing activities</b>					
Interest paid	(31)	(10)	(91)	—	—
Proceeds from issue of new shares	287,899	—	—	—	—
Bank borrowings raised	26,188	—	—	—	—
Repayment of bank borrowings	(30,007)	—	—	—	—
Share issue expenses paid	(1,841)	—	—	—	—
<b>Net cash from (used in) financing activities</b>	<b>282,208</b>	<b>(10)</b>	<b>(91)</b>	<b>—</b>	<b>—</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>168,773</b>	<b>(62,038)</b>	<b>(116,135)</b>	<b>(54,508)</b>	<b>136,162</b>
Cash and cash equivalents at beginning of the year/period	174,580	343,353	281,315	281,315	165,147
Effect of foreign exchange rate changes	—	—	(33)	—	—
<b>Cash and cash equivalents at end of the year/period, represented by bank balances and cash</b>	<b>343,353</b>	<b>281,315</b>	<b>165,147</b>	<b>226,807</b>	<b>301,309</b>

## NOTES TO THE FINANCIAL INFORMATION

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on the Main Board of the Stock Exchange. The addresses of the registered office and the principal place of business of the Company are disclosed on page V-7 of the Circular.

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 Financial Information is presented in Hong Kong dollars (“HK\$” or “HKD”), which is the functional currency of the Company.

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

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

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. HKFRS 9 will affect the classification and measurement of financial assets, as well as the presentation of relevant information to users of financial statements.



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 financial position of the Group.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has 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 Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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/period are included in the consolidated statement of comprehensive income 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 the Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position 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.

#### **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.

**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**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are recognised as part of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss 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 statement of comprehensive income in the year/period 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 at their fair values 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 statement of comprehensive income in the year/period 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 statement of financial position 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 the end of each reporting period 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 the end of each reporting period 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 the end of each reporting period 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 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 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 loss 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 profit or loss 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 the end of each reporting period, 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 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 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**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/period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods 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 at the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information 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 the end of each reporting period 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 statement of comprehensive income 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\$156,283,000, HK\$178,587,000, HK\$280,204,000 and HK\$299,909,000 as at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively, 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 during the Relevant Periods.

The capital structure of the Group consists of equity attributable to owners 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

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)				
Trade and other receivables	23,436	18,620	17,182	16,636
Loans receivable	48,380	134,083	86,068	77,110
Bills receivable	46,661	30,826	39,180	37,919
Bank balances and cash	<u>343,353</u>	<u>281,315</u>	<u>165,147</u>	<u>301,309</u>
	<u>461,830</u>	<u>464,844</u>	<u>307,577</u>	<u>432,974</u>
Fair value through profit or loss				
Investments held for trading	41,566	139,033	93,420	71,066
Designated at fair value through profit or loss - structured deposit (Note)	<u>—</u>	<u>—</u>	<u>24,045</u>	<u>—</u>
	<u>41,566</u>	<u>139,033</u>	<u>117,465</u>	<u>71,066</u>
Available-for-sale financial assets				
Available-for-sale investments	<u>84,380</u>	<u>79,812</u>	<u>33,891</u>	<u>64,662</u>
<b>Financial liabilities</b>				
Amortised costs				
Trade and other payables	41,359	35,550	23,773	51,482
Bills payable	<u>4,648</u>	<u>3,566</u>	<u>9,683</u>	<u>11,633</u>
	<u>46,007</u>	<u>39,116</u>	<u>33,456</u>	<u>63,115</u>

*Note:*

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
Difference between carrying amount and outstanding principal amount				
At fair value	—	—	24,045	—
Outstanding principal at the end of reporting period	—	—	(23,250)	—
	<u>—</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 2007 and 2008 are at variable rates. The Group has reduced such risk by keeping all loans receivable at 31 March 2009 and 30 September 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 2007, 2008 and 2009 and 30 September 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 2007 and 2008. The analysis was prepared assuming the amount of variable-rate loans receivable outstanding at 31 March 2007 and 2008 was outstanding for the whole year. No sensitivity analysis has been prepared for the year ended 31 March 2009 and the six months ended 30 September 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, loss for the year ended 31 March 2007 would decrease/increase by HK\$243,000 and 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 87%, 86%, 84% and 87% of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sales for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, respectively, whilst all of the Group's purchases are denominated in the group entities' functional currency during the Relevant Periods.

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

	<b>Assets</b>			
	<b>2007</b>	<b>As at 31 March 2008</b>	<b>2009</b>	<b>As at 30 September 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States dollars ("USD")	66,775	51,026	96,477	226,766
Euro	1,035	13,935	338	23
Renminbi ("RMB")	—	—	795	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b>Liabilities</b>			
	<b>2007</b>	<b>As at 31 March 2008</b>	<b>2009</b>	<b>As at 30 September 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	407	1,973	192	352
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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 the end of each reporting date 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.

The following is the sensitivity analysis for a 5% weakening or strengthening of HKD against Euro at the end of each reporting period.

*HK\$'000*

For a 5% weakening of HKD against Euro

Loss for the year ended 31 March 2007 would decrease by	<u>43</u>
Profit for the year ended 31 March 2008 would increase by	<u>575</u>
Loss for the year ended 31 March 2009 would decrease by	<u>14</u>
Profit for the six months ended 30 September 2009 would increase by	<u>1</u>

*HK\$'000*

For a 5% strengthening of HKD against Euro

Loss for the year ended 31 March 2007 would increase by	<u>43</u>
Profit for the year ended 31 March 2008 would decrease by	<u>575</u>
Loss for the year ended 31 March 2009 would increase by	<u>14</u>
Profit for the six months ended 30 September 2009 would decrease by	<u>1</u>

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.

*HK\$'000*

Loss for the year ended 31 March 2009 would decrease by	<u>33</u>
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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 exposure at the end of each reporting period does not reflect the exposures during the Relevant Periods.

(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 end of each reporting period.

If the prices of the respective equity instruments had been 5% higher/lower, loss for the year ended 31 March 2007 would decrease/increase by HK\$1,715,000 as a result of the changes in fair value of investments held for trading and the investment revaluation reserve of the Group at 31 March 2007 would increase/decrease by HK\$4,242,000 as a result of the changes in fair value of the available-for-sale investments.

If the prices of the respective equity instruments had been 5% higher/lower, 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 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.

If the prices of the respective equity instruments had been 10% higher/lower, loss for the year ended 31 March 2009 would decrease/increase by HK\$7,801,000 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 as a result of the changes in fair value of the available-for-sale investments.

If the prices of the respective equity instruments had been 10% higher/lower, profit for the six months ended 30 September 2009 would increase/decrease by HK\$5,934,000 as a result of the changes in fair value of investments held for trading and the investment revaluation reserve of the Group at 30 September 2009 would increase/decrease by HK\$6,466,000 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% during the year ended 31 March 2009 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 exposure at the end of each reporting period does not reflect the exposures during the Relevant Periods.

**Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 March 2007, 2008 and 2009 and 30 September 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. 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 of HK\$19,050,000, HK\$15,690,000, HK\$11,704,000 and HK\$11,999,000 at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively, was derived from a few customers, in which all trade receivables at 31 March 2007, 2008 and 2009 and 30 September 2009 which were not yet past due except for approximately 8%, 25%, 13% and 16% of these trade receivables were past due but not impaired at 31 March 2007, 2008 and

2009 and 30 September 2009, respectively. The management considers 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 the end of each reporting period 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\$48,380,000, HK\$134,083,000, HK\$86,068,000 and HK\$77,110,000 at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively. The largest borrower of the Group by itself and together with the other four largest borrowers of the Group accounted for (i) approximately 18.6% and 76.5% respectively of the Group's loans receivable at 31 March 2007; (ii) approximately 7.5% and 37.3% respectively of the Group's loans receivable at 31 March 2008; (iii) approximately 10.5% and 45.3% respectively of the Group's loans receivable at 31 March 2009; and (iv) approximately 12.3% and 47.5% respectively of the Group's loans receivable at 30 September 2009. At 31 March 2007, 2008 and 2009 and 30 September 2009, 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 at 31 March 2007, 2008 and 2009 and 30 September 2009. 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 2007, 2008 and 2009 and 30 September 2009, the Group has available unutilised bank loan facilities of HK\$110,352,000, HK\$106,434,000, HK\$25,317,000 and HK\$28,367,000, respectively.

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 3 months HK\$'000	3 months to 1 year 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts at the end of reporting date HK\$'000
As at 31 March 2007					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	N/A	31,971	9,388	41,359	41,359
Bills payable	N/A	4,648	—	4,648	4,648
		<u>36,619</u>	<u>9,388</u>	<u>46,007</u>	<u>46,007</u>
As at 31 March 2008					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	N/A	26,379	9,171	35,550	35,550
Bills payable	N/A	3,566	—	3,566	3,566
		<u>29,945</u>	<u>9,171</u>	<u>39,116</u>	<u>39,116</u>
As at 31 March 2009					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	N/A	13,847	9,926	23,773	23,773
Bills payable	N/A	9,683	—	9,683	9,683
		<u>23,530</u>	<u>9,926</u>	<u>33,456</u>	<u>33,456</u>
As at 30 September 2009					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	N/A	41,505	9,977	51,482	51,482
Bills payable	N/A	11,633	—	11,633	11,633
		<u>53,138</u>	<u>9,977</u>	<u>63,115</u>	<u>63,115</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 Financial Information approximate to their fair values.

## 7. TURNOVER

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

	Year ended 31 March			Six months ended 30 September	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
				<i>(unaudited)</i>	
Sales of goods	523,188	487,806	427,428	200,927	226,638
Rental income	26,138	27,164	28,166	13,626	14,746
Sales of properties	8,133	6,080	2,188	2,188	—
Building management fee income	278	289	286	146	151
	<u>557,737</u>	<u>521,339</u>	<u>458,068</u>	<u>216,887</u>	<u>241,535</u>

## 8. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" 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 determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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, finance costs, and corporate income and expenses).

(a) **Segment result**

The following is an analysis of the Group's segment results by operating segments:

**For the year ended 31 March 2007**

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

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

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

For the year ended 31 March 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>
<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 sales are charged at prevailing market prices.*

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

For the year ended 31 March 2009

	Garment sourcing and exporting <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<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)
Gain on partial disposal of interests in associates							1,021
Share of results of associates							(15,044)
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 sales are charged at prevailing market prices.*

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

For the six months ended 30 September 2008 (unaudited)

	Garment sourcing and exporting <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>							
External	200,927	13,772	2,188	—	—	—	216,887
Inter-segment	—	1,509	—	—	—	(1,509)	—
Total	<u>200,927</u>	<u>15,281</u>	<u>2,188</u>	<u>—</u>	<u>—</u>	<u>(1,509)</u>	<u>216,887</u>
<b>Result</b>							
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.*

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

For the six months ended 30 September 2009

	Garment sourcing and exporting <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>							
External	226,638	14,897	—	—	—	—	241,535
Inter-segment	—	1,509	—	—	—	(1,509)	—
Total	<u>226,638</u>	<u>16,406</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,509)</u>	<u>241,535</u>
<b>Result</b>							
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 II****FINANCIAL INFORMATION OF THE GROUP****(b) Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by operating segments:

**As at 31 March 2007**

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

**As at 31 March 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>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>

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP****As at 31 March 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>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>

**As at 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>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	63,065	612,198	299,909	136,418	71,735	1,183,325
Interests in associates						107,975
Unallocated corporate assets						<u>317,108</u>
Consolidated total assets						<u><u>1,608,408</u></u>
<b>LIABILITIES</b>						
Segment liabilities	35,497	30,197	2,817	—	—	68,511
Unallocated corporate liabilities						<u>58,348</u>
Consolidated total liabilities						<u><u>126,859</u></u>



## (c) Other information

## For the year ended 31 March 2007

	Garment sourcing and exporting <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	1,815	22	—	—	—	1,837
Depreciation of property, plant and equipment	1,033	477	—	—	—	1,510
Impairment loss on trade and other receivables	—	20	—	—	—	20
Impairment loss on loans receivable	—	—	—	—	2,160	2,160
Impairment loss on available-for-sale investments	—	—	—	121,465	—	121,465
Impairment loss on inventories	1,021	—	—	—	—	1,021
Loss on disposal of available-for-sale investments	—	—	—	43,027	—	43,027
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## For the year ended 31 March 2008

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

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	<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	—	—	—	60,408	—	60,408

**For the six months ended 30 September 2008 (unaudited)**

	<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	141	—	—	—	—	141
Depreciation of property, plant and equipment	353	194	—	—	—	547
Loss on disposal of available-for-sale investments	—	—	—	3,803	—	3,803
Impairment loss on available-for-sale investments	—	—	—	22,699	—	22,699
Loss arising on changes in fair value of investment properties	—	16,850	—	—	—	16,850
Loss on fair value changes of investments held for trading	—	—	—	42,881	—	42,881

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**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>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	12	—	—	—	—	12
Amortisation of land portion of properties held for development	—	—	790	—	—	790
Depreciation of property, plant and equipment	331	194	—	—	—	525
	<u>331</u>	<u>194</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>525</u>

For the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009, turnover from one of the Group's customers under the garment sourcing and exporting reportable segment amounting to HK\$301,132,000, HK\$302,843,000, HK\$282,086,000, HK\$125,583,000 and HK\$176,965,000, respectively, had individually accounted for over 10% of the Group's total turnover for the year/period. Save as disclosed above, none of the customers of the Group contributed more than 10% of the total turnover for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009.

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

	<b>Turnover</b>				
	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Hong Kong	34,549	33,533	30,640	15,960	14,897
The People's Republic of China, excluding Hong Kong (the "PRC")	51	297	718	222	27
USA	468,779	435,847	380,294	183,297	213,483
Europe	49,725	39,712	34,271	9,789	13,128
Mexico	4,633	11,950	12,145	7,619	—
	<u>557,737</u>	<u>521,339</u>	<u>458,068</u>	<u>216,887</u>	<u>241,535</u>

An analysis of the carrying amount of the Group's non-current assets, analysed by the geographical area in which the assets are located is as follows:

	<b>Carrying amount of non-current assets</b>			
		<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\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	931,710	758,188	807,131	848,912
USA	147	174	126	104
	<u>931,857</u>	<u>758,362</u>	<u>807,257</u>	<u>849,016</u>

#### 9. 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, 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 was recognised in the consolidated statement of comprehensive income for the six months ended 30 September 2008 and the year ended 31 March 2009.

#### 10. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the Relevant Periods, impairment loss on available-for-sale investments of HK\$121,465,000, HK\$33,163,000, HK\$32,162,000, HK\$22,699,000 and nil for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009, respectively, were recognised as a result of significant or prolonged decline in fair value of certain of the Group's listed equity investments below their costs.

#### 11. 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 was recognised as a result of the decline in market value of the properties held for development during the year ended 31 March 2009.

## 12. (LOSS) PROFIT BEFORE TAXATION

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:					
Directors' remuneration (note 13(a))	4,014	4,602	4,148	2,068	2,095
Other staff costs, including retirement benefits costs	26,532	24,596	23,762	11,867	11,232
Total staff costs	30,546	29,198	27,910	13,935	13,327
Depreciation of property, plant and equipment	1,510	1,140	1,086	547	525
Amortisation of land portion of properties held for development	—	—	899	—	790
Auditor's remuneration:					
- current year/period	779	868	1,019	510	601
- underprovision in prior years/periods	85	145	279	279	173
Cost of inventories recognized as an expense	446,057	418,735	372,090	172,206	198,600
Cost of properties sold	7,198	5,406	1,822	1,822	—
Impairment loss on inventories	1,021	—	—	—	—
Exchange loss, net	—	—	4,679	2,749	29
and after crediting:					
Dividend income from listed investments	1,275	2,503	5,591	5,270	3,534
Exchange gain, net	1,131	2,744	—	—	—
Interest income	11,492	17,484	11,211	6,109	2,742
Reversal of impairment loss on trade and other receivables	—	12	—	—	—

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (a) Information regarding directors' emoluments

Details of emolument to directors of the Company during the Relevant Periods are as follows:

*For the year ended 31 March 2007*

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

*For the year ended 31 March 2008*

	Executive director		Non-executive director	Independent non-executive director			Total HK\$'000
	Kwong Jimmy Cheung Tim HK\$'000	Lui Yuk Chu HK\$'000	Tse Wing Chiu, Ricky (Note i) HK\$'000	Wong Sui Wah, Michael HK\$'000	Jong Koon Sang HK\$'000	Tsui Chun Kong 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>

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*For the year ended 31 March 2009*

	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' emoluments	<u>972</u>	<u>2,776</u>	<u>100</u>	<u>40</u>	<u>100</u>	<u>100</u>	<u>60</u>	<u>4,148</u>

*For the six months ended 30 September 2008 (unaudited)*

	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	—	—	50	40	50	50	10	200
Other emoluments								
- salaries and other benefits	480	600	—	—	—	—	—	1,080
- retirement benefits schemes contributions	6	30	—	—	—	—	—	36
Total directors' emoluments	<u>486</u>	<u>630</u>	<u>50</u>	<u>40</u>	<u>50</u>	<u>50</u>	<u>10</u>	<u>1,316</u>

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*For the six months ended 30 September 2009*

	Executive director		Non-executive director	Independent non-executive director			Total
	Kwong Jimmy Cheung Tim HK\$'000	Lui Yuk Chu HK\$'000	Tse Wing Chiu, Ricky HK\$'000	Jong Koon Sang HK\$'000	Tsui Chun Kong HK\$'000	Hon Tam Chun HK\$'000	
Fees	—	—	50	50	50	50	200
Other emoluments							
- salaries and other benefits	480	1,379	—	—	—	—	1,859
- retirement benefits schemes contributions	6	30	—	—	—	—	36
Total directors' emoluments	<u>486</u>	<u>1,409</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>2,095</u>

*Notes:*

- (i) Mr. Tse Wing Chiu, Ricky was re-designated from executive director to non-executive director on 18 December 2007.
- (ii) Mr. Wong Sui Wah, Michael resigned on 25 August 2008.
- (iii) Mr. Hon Tam Chun was appointed on 25 August 2008.

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

The five highest paid individuals of the Group included two, two, two, two and two directors for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009, respectively. The emoluments of the remaining three, three, three, three and three highest paid individuals, not being directors, for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 were as follows:

	Year ended 31 March			Six months ended 30 September	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000
Salaries and other benefits	3,093	3,150	3,114	1,437	1,359
Retirement benefits schemes contributions	<u>35</u>	<u>36</u>	<u>78</u>	<u>36</u>	<u>32</u>
	<u>3,128</u>	<u>3,186</u>	<u>3,192</u>	<u>1,473</u>	<u>1,391</u>



The emoluments of these employees fall within the following bands:

	Number of employees				
	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
Nil to HK\$1,000,000	1	1	1	3	3
HK\$1,000,001 to HK\$1,500,000	2	2	2	—	—
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, 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 of office. In addition, during the Relevant Periods, no director waived any emoluments.

#### 14. TAXATION

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge (credit) comprises:					
Current tax - Hong Kong Profits Tax:					
Current year/period	374	2,132	2,208	34	1,050
(Over)underprovision in prior years/periods	(2)	22	(57)	—	—
	<u>372</u>	<u>2,154</u>	<u>2,151</u>	<u>34</u>	<u>1,050</u>
Deferred taxation (note 37)					
Charge (credit) for the year/period	5,755	(6,390)	(5,908)	(6,942)	15,171
Attributable to change in tax rate	—	—	(1,249)	(1,249)	—
	<u>5,755</u>	<u>(6,390)</u>	<u>(7,157)</u>	<u>(8,191)</u>	<u>15,171</u>
Tax charge (credit) attributable to the Company and its subsidiaries	<u>6,127</u>	<u>(4,236)</u>	<u>(5,006)</u>	<u>(8,157)</u>	<u>16,221</u>

Hong Kong Profits Tax was provided at 17.5% on the estimated assessable profit for the years ended 31 March 2007 and 2008.

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 and deferred taxation for the year ended 31 March 2009 and for the six months ended 30 September 2008 and 2009.

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

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
(Loss) profit before taxation	<u>(109,470)</u>	<u>60,100</u>	<u>(106,390)</u>	<u>(57,443)</u>	<u>101,815</u>
Hong Kong Profits Tax rate	17.5%	17.5%	16.5%	16.5%	16.5%
Tax (credit) charge at applicable tax rate	(19,157)	10,518	(17,554)	(9,478)	16,799
Tax effect of expenses not deductible for tax purposes	29,972	7,386	15,417	4,543	2,139
Tax effect of income not taxable for tax purposes	(3,342)	(10,669)	(2,331)	(2,124)	(1,686)
Tax effect of share of results of associates	722	1,120	2,482	806	835
Tax effect of tax losses not recognised	1,964	1,289	1,177	410	26
Tax effect of utilisation of tax losses previously not recognised	(4,309)	(2,875)	(2,515)	(1,144)	(1,394)
(Over)underprovision in prior years/periods	(2)	22	(57)	—	—
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)	(1,249)	—
Others	<u>279</u>	<u>278</u>	<u>(376)</u>	<u>79</u>	<u>(498)</u>
Taxation charge (credit) for the year/period	<u>6,127</u>	<u>(4,236)</u>	<u>(5,006)</u>	<u>(8,157)</u>	<u>16,221</u>

## 15. DIVIDEND

The directors of the Company do not recommend the payment of dividend for the Relevant Periods.

## 16. BASIC (LOSS) EARNINGS PER SHARE

The calculations of the basic (loss) earnings per share for the Relevant Periods is based on the following data:

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings for the purpose of calculating basic (loss) earnings per share	<u>(115,597)</u>	<u>64,336</u>	<u>(101,384)</u>	<u>(49,286)</u>	<u>85,594</u>

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	<i>(unaudited)</i>				

**Number of shares**

Weighted average number of shares/ number of shares for the purpose of calculating basic (loss) earnings per share	<u>444,167,875</u>	<u>794,204,028</u>	<u>794,204,028</u>	<u>794,204,028</u>	<u>794,204,028</u>
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No diluted loss per share is presented for the year ended 31 March 2007 as the exercise price of the Company's outstanding share options is higher than the average market price during that year.

No diluted earnings (loss) per share is presented for the years ended 31 March 2008 and 2009 and the six months ended 30 September 2008 and 2009 as there is no potential ordinary shares of the Company outstanding. In addition, there is no dilutive effect on the Company's diluted earnings (loss) per share in relation to the outstanding convertible note in issue during the years ended 31 March 2008 and 2009 and the six months ended 30 September 2008 by Easyknit Enterprises, the Group's associate.

## 17. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the Relevant Periods, the Group had the following transactions with related parties/persons deemed to be “connected persons” pursuant to Chapter 14A of the Listing Rules, being entities controlled by certain relatives of Ms. Lui Yuk Chu, a director of the Company, and her spouse, Mr. Koon Wing Yee:

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Purchases of garments	48,017	150	—	—	—
Rental income	601	573	376	193	183
Commission income	—	54	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

- (b) During the Relevant Periods, the Group provided administrative service to Easyknit Enterprises and received service income of HK\$240,000, HK\$240,000, HK\$240,000, HK\$120,000 and HK\$120,000 for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009, respectively, 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.

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

## (c) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Short-term employee benefits	8,598	8,811	8,183	2,919	3,488
Post employment benefits	<u>132</u>	<u>141</u>	<u>207</u>	<u>92</u>	<u>74</u>
	<u>8,730</u>	<u>8,952</u>	<u>8,390</u>	<u>3,011</u>	<u>3,562</u>

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

## 18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties <i>HK\$'000</i> <i>(note a)</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$,000</i>	Total <i>HK\$'000</i>
COST OR VALUATION				
At 1 April 2006	41,384	12,865	2,479	56,728
Additions	—	269	1,568	1,837
Disposals	—	(16)	—	(16)
Transfer to investment properties (note b)	(9,065)	—	—	(9,065)
At 31 March 2007	32,319	13,118	4,047	49,484
Additions	—	206	—	206
Disposals	—	(100)	(1,330)	(1,430)
At 31 March 2008	32,319	13,224	2,717	48,260
Exchange realignments	—	(5)	—	(5)
Additions	—	147	—	147
Disposals	—	(295)	—	(295)
At 31 March 2009	32,319	13,071	2,717	48,107
Additions	—	12	—	12
Disposals	—	(320)	—	(320)
At 30 September 2009	32,319	12,763	2,717	47,799
Comprising:				
At 31 March 2007				
At cost	3,319	13,118	4,047	20,484
At valuation - 1995	29,000	—	—	29,000
	32,319	13,118	4,047	49,484
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
At 30 September 2009				
At cost	3,319	12,763	2,717	18,799
At valuation - 1995	29,000	—	—	29,000
	32,319	12,763	2,717	47,799

	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>
ACCUMULATED DEPRECIATION				
At 1 April 2006	19,505	12,118	915	32,538
Provided for the year	466	358	686	1,510
Eliminated on disposals	—	(16)	—	(16)
Estimated on transfer to investment properties	<u>(2,486)</u>	<u>—</u>	<u>—</u>	<u>(2,486)</u>
At 31 March 2007	17,485	12,460	1,601	31,546
Provided for the year	366	279	495	1,140
Eliminated on disposals	<u>—</u>	<u>(100)</u>	<u>(754)</u>	<u>(854)</u>
At 31 March 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	<u>—</u>	<u>(295)</u>	<u>—</u>	<u>(295)</u>
At 31 March 2009	18,220	12,583	1,815	32,618
Provided for the period	184	105	236	525
Eliminated on disposals	<u>—</u>	<u>(320)</u>	<u>—</u>	<u>(320)</u>
At 30 September 2009	<u>18,404</u>	<u>12,368</u>	<u>2,051</u>	<u>32,823</u>
CARRYING VALUES				
At 31 March 2007	<u>14,834</u>	<u>658</u>	<u>2,446</u>	<u>17,938</u>
At 31 March 2008	<u>14,468</u>	<u>585</u>	<u>1,375</u>	<u>16,428</u>
At 31 March 2009	<u>14,099</u>	<u>488</u>	<u>902</u>	<u>15,489</u>
At 30 September 2009	<u>13,915</u>	<u>395</u>	<u>666</u>	<u>14,976</u>

*Notes:*

- (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.
- (b) During the year ended 31 March 2007, the Group rented out certain of its leasehold properties to independent third parties for rental income. When there is a change in use, upon the transfer from property, plant and equipment to investment properties, these properties were revalued at fair value with a gain on revaluation of approximately HK\$2,521,000, which had been credited to the property revaluation reserve.

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

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

The carrying value of leasehold properties shown above comprises:

	As at 31 March			As at
	2007	2008	2009	30 September 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties held on medium-term lease in Hong Kong	<u>14,834</u>	<u>14,468</u>	<u>14,099</u>	<u>13,915</u>

The valuation of certain leasehold properties was carried out by Jones Lang Wootton Ltd., a firm of independent professional property valuers, at 31 October 1994 on an open market value vacant possession basis. Had all these leasehold properties been carried at cost less accumulated depreciation, their carrying value would have been stated at HK\$18,700,000, HK\$18,200,000, HK\$17,700,000 and HK\$17,450,000 at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively.

#### 19. PROPERTIES HELD FOR DEVELOPMENT

	As at 31 March			As at
	2007	2008	2009	30 September 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount of properties held for development:				
Non-current assets	156,283	—	99,000	108,231
Current assets	<u>—</u>	<u>178,587</u>	<u>181,204</u>	<u>191,678</u>
	<u>156,283</u>	<u>178,587</u>	<u>280,204</u>	<u>299,909</u>

At 31 March 2007, due to the uncertainty on the timing of the successful acquisition of the remaining units of the building situated at Nos. 1, 1A, 3 and 3A Victory Avenue, Kowloon, Hong Kong (the "Victory Avenue Building") for development purpose within the Group's normal operating cycle, the properties held for development in relation to the Victory Avenue Building amounting to HK\$156,283,000 were not included as the Group's current assets in the consolidated statement of financial position at 31 March 2007.

During the year ended 31 March 2008, the Group completed the acquisition of all units of the Victory Avenue Building and the development project has been commenced. At 31 March 2008 and 2009 and 30 September 2009, the properties held for development in relation to the Victory Avenue Building amounting to HK\$178,587,000, HK\$181,204,000 and HK\$191,678,000, respectively, were included in the Group's current assets in the consolidated statement of financial position 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 end of each reporting period.

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 (Note)	<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 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”) at a total consideration of HK\$117,231,000 (including direct costs). As disclosed in note 11, an impairment loss of HK\$25,632,000 was recognised for these properties held for development during the year ended 31 March 2009.

At 31 March 2009, due to the uncertainty on the timing of successful acquisition of the remaining unit of the 313 Prince Edward Road Building for development purpose within the Group’s normal operating cycle, the properties held for development in relation to the 313 Prince Edward Road Building amounting to HK\$99,000,000 were not included in the Group’s current assets in the consolidated statement of financial position at 31 March 2009.

During the six months ended 30 September 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 were not included in the Group’s current assets in the 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.



## 20. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2006	589,700
Transferred from leasehold properties	9,100
Increase in fair value recognised in the consolidated statement of comprehensive income	<u>7,370</u>
At 31 March 2007	606,170
Increase in fair value recognised in the consolidated statement of comprehensive income	52,928
Disposal	<u>(92,418)</u>
At 31 March 2008	566,680
Decrease in fair value recognised in the consolidated statement of comprehensive income	<u>(21,760)</u>
At 31 March 2009	544,920
Additions	52
Reclassified as asset held for sale (note 32)	(51,824)
Increase in fair value recognised in the consolidated statement of comprehensive income	<u>59,103</u>
At 30 September 2009	<u><u>552,251</u></u>

The fair values of the Group's investment properties at 31 March 2007, 2008 and 2009 and 30 September 2009 have been arrived at on the basis of a valuation carried out on those days by Knight Frank Petty Limited (formerly Messrs. Knight Frank), 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:

	As at 31 March			As at
	2007	2008	2009	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Long lease	79,000	86,000	82,000	99,000
Medium-term lease	<u>527,170</u>	<u>480,680</u>	<u>462,920</u>	<u>453,251</u>
	<u><u>606,170</u></u>	<u><u>566,680</u></u>	<u><u>544,920</u></u>	<u><u>552,251</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 end of each reporting period.

**22. INTERESTS IN ASSOCIATES**

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Listed securities in Hong Kong, at cost	75,676	112,124	144,668	144,668
Share of post-acquisition losses	(17,651)	(24,050)	(39,094)	(44,155)
Share of translation reserve	<u>2,565</u>	<u>6,364</u>	<u>7,462</u>	<u>7,462</u>
	<u>60,590</u>	<u>94,438</u>	<u>113,036</u>	<u>107,975</u>
Market value of listed securities	<u>3,752,868</u>	<u>65,605</u>	<u>32,591</u>	<u>10,010</u>

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

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Total assets	204,879	333,349	388,119	360,797
Total liabilities	<u>(36,245)</u>	<u>(66,384)</u>	<u>(31,539)</u>	<u>(20,184)</u>
Net assets (note)	<u>168,634</u>	<u>266,965</u>	<u>356,580</u>	<u>340,613</u>
Group's share of net assets of associates	<u>60,590</u>	<u>94,438</u>	<u>113,036</u>	<u>107,975</u>

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**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

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	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>75,964</u>	<u>74,923</u>	<u>59,960</u>	<u>23,875</u>	<u>15,345</u>
Loss for the year/period	<u>(11,481)</u>	<u>(17,811)</u>	<u>(47,457)</u>	<u>(15,405)</u>	<u>(15,967)</u>
Total share of results of associates for the year/period	<u>(4,125)</u>	<u>(6,399)</u>	<u>(15,044)</u>	<u>(4,883)</u>	<u>(5,061)</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, which was not shared by the Group.

The Group performed impairment review assessment on interests in associates at the end of each reporting period based on discounted cashflow analysis. In the opinion of the directors of the Company, no impairment on interests in associates is considered necessary.

Particulars of the Group's principal associates at 31 March 2007, 2008 and 2009 and 30 September 2009 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
					At 30			
					2007	2008	September 2009	
Easyknit Enterprises#	Incorporated	Bermuda	Hong Kong	Ordinary	35.93%	35.93%	31.70%	Investment holding
Easyknit (Mauritius) Limited	Establishment	Republic of Mauritius	Hong Kong	N/A	35.93%*	35.93%*	31.70%*	Investment holding
Po Cheong International Enterprises Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	35.93%*	31.70%*	Investment holding
Tat Cheong International (HK) Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	35.93%*	31.70%*	Investment holding
東莞永耀漂染有限公司 ("Wing Yiu")**	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	Bleaching and dyeing
永義紡織(河源)有限公司 ("He Yuan")***	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	Knitting
永義製衣(湖州)有限公司 ("Huzhou Garment")****	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	Construction in progress of garment production plant for own use (suspended) and property holding
永義紡織(湖州)有限公司 ("Huzhou Knitting")****	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	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	35.93%*	35.93%*	31.70%*	Construction in progress of bleaching and dyeing production plant for own use (suspended)
Gainever Corporation Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	35.93%*	31.70%*	Trading of marketable securities

- # Easyknit Enterprises is a company listed on the Main Board of the Stock Exchange.
- \* These companies are wholly-owned subsidiaries of Easyknit Enterprises.
- \*\* Wing Yiu is a wholly foreign owned enterprise established in the PRC, to be operated for 10 years up to 20 August 2011.
- \*\*\* He Yuan is a wholly foreign owned enterprise established in the PRC, to be operated for 15 years up to 7 March 2019.
- \*\*\*\* 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/period 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

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Equity securities listed in Hong Kong at market value	<u>84,830</u>	<u>79,812</u>	<u>33,891</u>	<u>64,662</u>

### 24. PROPERTIES HELD FOR SALE

At 31 March 2007 and 2008, the properties held for sales were stated at cost and were situated in Hong Kong under medium-term leases. All remaining properties held for sales were sold during the year ended 31 March 2009.

### 25. INVESTMENTS HELD FOR TRADING

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Equity securities listed in Hong Kong at market value	<u>41,566</u>	<u>139,033</u>	<u>93,420</u>	<u>71,066</u>

## 26. INVENTORIES

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
Raw materials	182	—	1,113	—
Work in progress	1,928	—	—	—
Finished goods	7,756	2,942	2,377	1,155
	<u>9,866</u>	<u>2,942</u>	<u>3,490</u>	<u>1,155</u>

## 27. TRADE AND OTHER RECEIVABLES

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
Trade receivables	24,171	16,480	11,704	11,999
Less: Allowance for doubtful debts	(5,121)	(790)	—	—
	19,050	15,690	11,704	11,999
Deposits to suppliers	25,100	13,034	26,476	10,044
Other receivables	5,128	3,419	5,880	5,257
	<u>49,278</u>	<u>32,143</u>	<u>44,060</u>	<u>27,300</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 end of each reporting period is as follows:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
0 - 60 days	17,919	15,404	10,411	11,194
61 - 90 days	533	224	1,245	656
Over 90 days	598	62	48	149
	<u>19,050</u>	<u>15,690</u>	<u>11,704</u>	<u>11,999</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 at 31 March 2007, 2008 and 2009 and 30 September 2009 are debtors with aggregate carrying amount of HK\$1,584,000, HK\$3,918,000, HK\$1,536,000 and HK\$1,899,000, respectively, which are past due at the end of reporting period for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

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

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
Overdue by 1 to 60 days	490	3,856	1,479	1,822
Overdue by 61 to 90 days	532	1	9	—
Overdue by over 90 days	562	61	48	77
	<u>1,584</u>	<u>3,918</u>	<u>1,536</u>	<u>1,899</u>

Movement in the allowance for doubtful debts:

	Year ended 31 March			Six months
	2007	2008	2009	ended
	HK\$'000	HK\$'000	HK\$'000	30 September
Balance at beginning of the year/period	5,101	5,121	790	—
Amounts written off as uncollectible	—	(4,319)	(790)	—
Impairment losses recognised on receivables	20	—	—	—
Amounts recovered during the year/period	—	(12)	—	—
Balance at end of the year/period	<u>5,121</u>	<u>790</u>	<u>—</u>	<u>—</u>

Included in the allowance for doubtful debts at 31 March 2007 and 2008 were individually impaired trade receivables with aggregate balance of HK\$5,121,000 and HK\$790,000, respectively, 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 31 March 2007, 2008 and 2009 and 30 September 2009 as the amounts were expected to be subsequently recovered after the end of each reporting period.

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:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
USD	<u>5,713</u>	<u>4,891</u>	<u>5,867</u>	<u>5,230</u>
Euro	<u>1,035</u>	<u>2,130</u>	<u>—</u>	<u>—</u>

## 28. LOANS RECEIVABLE

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount secured by property interests at 31 March 2007 and by listed equity shares at 31 March 2008 and 2009 and bearing interest at: fixed rate of 9% per annum at 31 March 2007, the bank's Hong Kong dollars best lending rate plus 2% per annum at 31 March 2008, fixed rate of 9% per annum at 31 March 2009	2,297	9,000	3,968	—
Unsecured amount				
- guaranteed by outside parties and bearing interest at a rate ranging from: 4% to the bank's Hong Kong dollars best lending rate plus 2% per annum at 31 March 2007, 6% to 9.75% per annum at 31 March 2008, 8% to 8.75% per annum at 31 March 2009 and 8% to 8.75% per annum at 30 September 2009	28,083	75,083	26,300	24,100
- bearing interest at Hong Kong Interbank Offer Rate plus 2.125% per annum at 31 March 2007, 8.75% per annum at 31 March 2008, a rate ranging from 8.25% to 9% per annum at 31 March 2009 and a rate ranging from 8.25% to 9% per annum at 30 September 2009	18,000	50,000	55,800	45,600
- interest-free advance to Kingbest	—	—	—	7,410
	48,380	134,083	86,068	77,110
Less: Amount due from borrowers within one year shown under current assets	<u>(43,255)</u>	<u>(134,000)</u>	<u>(86,068)</u>	<u>(77,110)</u>
Amount due from borrowers after one year but not more than two years shown under non-current assets	<u>5,125</u>	<u>83</u>	<u>—</u>	<u>—</u>

The interest-free advance to Kingbest, amounting to HK\$7,410,000, at 30 September 2009 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.

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 are past due at the end of each reporting period.



Movement in the allowance for doubtful debts:

	Year ended 31 March			Six months ended
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
Balance at beginning of the year/period	—	2,160	—	—
Amounts written off as uncollectible	—	(2,160)	—	—
Impairment losses recognised on receivables	2,160	—	—	—
Balance at end of the year/period	<u>2,160</u>	<u>—</u>	<u>—</u>	<u>—</u>

All loans receivable are denominated in HKD at the end of each reporting period.

## 29. BILLS RECEIVABLE

At 31 March 2007, 2008 and 2009 and 30 September 2009, the bills receivable are aged within 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:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
USD	<u>46,661</u>	<u>30,826</u>	<u>39,180</u>	<u>37,919</u>

## 30. STRUCTURED DEPOSIT

The Group did not have structured deposit at 31 March 2007 and 2008 and 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 31 March 2009 were as follows:

Principal amount	Maturity	Annual coupon rate
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.

### 31. BANK BALANCES AND CASH

At 31 March 2007, 2008 and 2009 and 30 September 2009, the amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 1.75% to 4.2%, 0.01% to 5.75%, 0.01% to 4.72% and 0.001% to 0.75% per annum, respectively.

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:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
USD	<u>14,401</u>	<u>15,309</u>	<u>28,179</u>	<u>183,617</u>
Euro	<u>—</u>	<u>11,805</u>	<u>338</u>	<u>23</u>

### 32. ASSET CLASSIFIED AS HELD FOR SALE

During the six months ended 30 September 2009, the Group 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 the special general meeting held on 3 September 2009, was completed on 5 October 2009.

### 33. 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 32.

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Included in trade and other payables at 31 March 2007, 2008 and 2009 and 30 September 2009, are trade payables of HK\$29,084,000, HK\$23,704,000, HK\$10,434,000 and HK\$21,277,000, respectively. The aged analysis of trade payables at the end of each reporting period is as follows:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
0 - 60 days	28,927	23,687	10,419	21,185
61 - 90 days	2	12	11	—
Over 90 days	155	5	4	92
	<u>29,084</u>	<u>23,704</u>	<u>10,434</u>	<u>21,277</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:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
USD	<u>407</u>	<u>529</u>	<u>192</u>	<u>352</u>

**34. BILLS PAYABLE**

At 31 March 2007, 2008 and 2009 and 30 September 2009, the bills payable are aged within 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:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
USD	<u>—</u>	<u>1,444</u>	<u>—</u>	<u>—</u>

## 35. SHARE CAPITAL

	<i>Notes</i>	Nominal value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:				
At 1 April 2006		0.10	10,000,000,000	1,000,000
Consolidation of shares	(a)		(9,000,000,000)	—
Subdivision of shares	(a)		<u>99,000,000,000</u>	—
At 31 March 2007, 2008 and 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 2006		0.10	1,323,673,386	132,367
Rights issue of shares at a price of HK\$0.12 per rights share	(b)	0.10	661,836,693	66,184
Consolidation of shares	(a)		(1,786,959,072)	—
Subdivision of shares and reduction of share capital	(a)		—	(196,565)
Rights issue of shares at a price of HK\$0.35 per rights share	(c)	0.01	<u>595,653,021</u>	<u>5,956</u>
At 31 March 2007, 2008 and 2009 and 30 September 2009		0.01	<u>794,204,028</u>	<u>7,942</u>

*Notes:*

- (a) As announced by the Company on 30 August 2006, the Company proposed to effect (i) a share consolidation (the “Share Consolidation”) pursuant to which every ten issued and unissued then existing shares of HK\$0.10 each were consolidated into one consolidated share of HK\$1.00 each (“Consolidated Share”); (ii) reduction of par value of each Consolidated Share from HK\$1.00 each to HK\$0.01 each by cancelling HK\$0.99 paid up share capital for each Consolidated Share in issue, subdivision of each unissued Consolidated Share with par value of HK\$1.00 each into 100 new shares with par value of HK\$0.01 each and transfer of credit arising therefrom with the amount of approximately HK\$196,565,000 to the capital reserve account (the “Capital Reduction”, together with the Share Consolidation, collectively referred to the “Capital Reorganisation”). Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 22 September 2006. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 16 October 2006. The Capital Reorganisation became effective on 17 October 2006.
- (b) 661,836,693 rights shares of HK\$0.10 each were allotted on 24 April 2006 at a subscription price of HK\$0.12 per rights share to the shareholders of the Company in the proportion of one rights share for every two existing shares then held. The Company raised approximately HK\$78,919,000 (net of directly attributable expenses of approximately HK\$502,000), which was used as partial payment for acquisition of the properties for development. All shares issued rank pari passu with the then existing shares in issue in all respects.

- (c) 595,653,021 rights shares of HK\$0.01 each were allotted on 3 November 2006 at a subscription price of HK\$0.35 per rights share to the shareholders of the Company in the proportion of three rights shares for every existing share then held. The Company raised approximately HK\$207,139,000 (net of directly attributable expenses of approximately HK\$1,339,000), which will be used to expand the Group's property portfolio and for general working capital purpose. All shares issued rank pari passu with the then existing shares in issue in all respects.

### 36. SHARE OPTION SCHEME

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

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

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

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

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

The offer of the grant of options must be accepted within 30 days from the date of offer with the payment of a nominal consideration of HK\$1. The exercise period of the share options is determined by the directors of the Company and shall not expire later than ten years from the date of offer. The subscription price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer. Unless otherwise determined by the directors of the Company, there is no minimum period for which an option must be held before it can be exercised.

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

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

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

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

There was no share option outstanding at 31 March 2008 and 2009 and 30 September 2009 or at any time during the years ended 31 March 2008 and 2009 and the six months ended 30 September 2009.

*Notes:*

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

## 37. DEFERRED TAXATION

Major deferred tax liabilities and assets recognised and movements thereon during the Relevant Periods 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 2006	390	43,883	(21,795)	22,478
(Credit) charge to consolidated statement of comprehensive income	<u>(66)</u>	<u>1,814</u>	<u>4,007</u>	<u>5,755</u>
At 31 March 2007	324	45,697	(17,788)	28,233
(Credit) charge to consolidated statement of comprehensive income	<u>(68)</u>	<u>(8,605)</u>	<u>2,283</u>	<u>(6,390)</u>
At 31 March 2008	256	37,092	(15,505)	21,843
Effect of change in tax rate	(15)	(2,120)	886	(1,249)
Charge (credit) to consolidated statement of comprehensive income	<u>5</u>	<u>(1,023)</u>	<u>(4,890)</u>	<u>(5,908)</u>
At 31 March 2009	246	33,949	(19,509)	14,686
Charge to 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>257</u>	<u>42,362</u>	<u>(12,762)</u>	<u>29,857</u>

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

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

At 31 March 2007, 2008 and 2009 and 30 September 2009, the Group has unused tax losses of HK\$212,028,000, HK\$189,905,000, HK\$210,532,000 and HK\$161,353,000, respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$101,646,000, HK\$88,598,000, HK\$118,239,000 and HK\$77,349,000 at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively, of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$110,382,000, HK\$101,307,000, HK\$93,192,000 and HK\$83,974,000 at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively, due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except the losses of HK\$45,153,000, HK\$52,453,000, HK\$54,877,000 and HK\$54,877,000 at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively, which will expire as follows:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Year of expiry				
2022	1,821	1,821	1,821	1,821
2023	2,163	2,163	2,163	2,163
2024	11,225	11,225	11,225	11,225
2025	13,272	13,272	13,272	13,272
2026	7,650	7,650	7,650	7,650
2027	9,022	9,022	9,022	9,022
2028	—	7,300	7,300	7,300
2029	—	—	2,424	2,424
	<u>45,153</u>	<u>52,453</u>	<u>54,877</u>	<u>54,877</u>

**38. PLEDGE OF ASSETS**

At 31 March 2007, 2008 and 2009 and 30 September 2009, the following assets of the Group were pledged to banks to secure credit facilities granted to the Group:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Investment properties	<u>131,000</u>	<u>138,500</u>	<u>48,900</u>	<u>—</u>



## 39. OPERATING LEASE ARRANGEMENTS

## The Group as lessee

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Minimum lease payments recognised in the consolidated statement of comprehensive income during the year/period	3,258	2,147	2,364	1,184	1,193

(unaudited)

At 31 March 2007, 2008 and 2009 and 30 September 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	1,896	918	2,085	1,258
In the second to fifth year inclusive	1,591	676	260	14
	<u>3,487</u>	<u>1,594</u>	<u>2,345</u>	<u>1,272</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

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property rental income earned during the year/period	26,138	27,164	28,166	13,626	14,746
Less: Outgoings	<u>(753)</u>	<u>(881)</u>	<u>(839)</u>	<u>(415)</u>	<u>(525)</u>
Net rental income	<u>25,385</u>	<u>26,283</u>	<u>27,327</u>	<u>13,211</u>	<u>14,221</u>

(unaudited)

At 31 March 2007, 2008 and 2009 and 30 September 2009, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 March			As at
	2007	2008	2009	30 September
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Within one year	25,445	23,202	22,624	20,670
In the second to fifth year inclusive	<u>24,744</u>	<u>9,595</u>	<u>12,344</u>	<u>9,749</u>
	<u>50,189</u>	<u>32,797</u>	<u>34,968</u>	<u>30,419</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.

#### 40. 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 statement of comprehensive income for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 amounted to HK\$753,000, HK\$776,000, HK\$754,000, HK\$355,000 and HK\$338,000, respectively.

At 31 March 2007, 2008 and 2009 and 30 September 2009, the total amount of forfeited contributions available to reduce the contributions payable in the future years was insignificant.

**B. INDEBTEDNESS**

At the close of business on 31 May 2010, being the latest practicable date for ascertaining this information prior to printing of this Composite Offer Document, 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 31 May 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.

**C. MATERIAL CHANGES**

Save for (i) the unaudited profit of approximately HK\$85,594,000 attributable to owners of the Company for the six months ended 30 September 2009; (ii) the disposal of a property in Hong Kong for a consideration of HK\$47,113,000 plus an allowance of HK\$4,711,000 as disclosed in the circular of the Company dated 5 August 2009; (iii) the acquisition of Kingbest Capital Holdings Limited for a consideration of HK\$2,440,000 and the acquisition of certain properties in Hong Kong by Kingbest Capital Holdings Limited for a consideration of HK\$63,850,000 as disclosed in the circular of the Company dated 7 August 2009; (iv) the acquisition of Grow Well Profits Limited and Supertop Investment Limited for an aggregate consideration of HK\$227,470,000 as disclosed in the circular of the Company dated 4 December 2009; (v) the disposal of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited for an aggregate consideration of HK\$80,000,000 as disclosed in the circular of the Company dated 29 January 2010; (vi) the acquisition of Chief Access Limited for a consideration of HK\$5,650,000 and the acquisition of certain properties in Hong Kong by Chief Access Limited for a consideration of HK\$95,350,000 as disclosed in the circular of the Company dated 22 March 2010; and (vii) the increase in valuation of investment properties, comprising (a) the increase of approximately 19.0% for those existing properties held by the Group on 31 March 2009 from approximately HK\$496.0 million as at 31 March 2009 to approximately HK\$590.4 million (as set out in Appendix III of this Composite Offer Document); (b) the increase of approximately 10.8% for the properties acquired as disclosed in the circular of the Company dated 4 December 2009 from approximately HK\$227.5 million (as set out in the circular of the Company dated 4 December 2009) to approximately HK\$252.1 million (as set out in Appendix III of this Composite Offer Document); and (viii) the gain on fair value changes of investments held for trading for the year ended 31 March 2010, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2009 (being the date to which the latest audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

**APPENDIX III****PROPERTY VALUATION REPORTS OF THE GROUP**

The following is the list of valuation reports prepared by the Independent Valuers for the properties held by the Group.

No.	Valuers	Properties	Type	Valuation	Date of valuation	Date of valuation report
1	Vigers Appraisal & Consulting Limited	No. 1 & 1A and 3 & 3A Victory Avenue, Ho Man Tin, Kowloon.	Development land	HK\$255,000,000	31 March 2010	22 June 2010
2	Vigers Appraisal & Consulting Limited	Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon.	Development land	HK\$159,000,000	31 March 2010	22 June 2010
3	Vigers Appraisal & Consulting Limited	Nos. 311B and 311D Prince Edward Road West, Kowloon.	Development land	HK\$101,000,000	31 March 2010	22 June 2010
4	Vigers Appraisal & Consulting Limited	Nos. 311A and 311C Prince Edward Road West, Kowloon.	Residential building	HK\$101,000,000	31 May 2010	22 June 2010
5	Knight Frank Petty Limited	Ground Floor, No. 50 Yun Ping Road, Causeway Bay, Hong Kong.	Shop	HK\$114,000,000	31 March 2010	22 June 2010
6	Knight Frank Petty Limited	2nd Floor, Nos. 790, 792 and 794 Cheung Sha Wan Road, Lai Chi Kok, Kowloon.	Industrial units	HK\$2,710,000	31 March 2010	22 June 2010
7	Knight Frank Petty Limited	6th Floor, Nos. 650-652 Castle Peak Road and No. 18A Wing Hong Street, Lai Chi Kok, Kowloon.	Industrial unit	HK\$10,100,000	31 March 2010	22 June 2010
8	Knight Frank Petty Limited	Commercial units in Fa Yuen Plaza, No. 19 Fa Yuen Street, Mongkok, Kowloon.	Commercial units	HK\$250,500,000	31 March 2010	22 June 2010
9	Knight Frank Petty Limited	Easy Tower, No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon.	Industrial/office	HK\$200,000,000	31 March 2010	22 June 2010
10	Knight Frank Petty Limited	Workshops A and B, 7th Floor, and Car Parking Spaces Nos. L8 and L11 on 4th Floor, No. 481 Castle Peak Road, Cheung Sha Wan, Kowloon.	Workshops and lorry parking spaces	HK\$42,620,000	31 March 2010	22 June 2010
11	DTZ Debenham Tie Leung (SEA) Pte Ltd.	Unit 04-03 Ardmore Park, 15 Ardmore Park, Singapore 259959	Residential apartment	S\$8,450,000 (Singapore Dollars)	31 May 2010	11 June 2010
12	DTZ Debenham Tie Leung (SEA) Pte Ltd.	Unit 06-04 Ardmore Park, 15 Ardmore Park, Singapore 259959	Residential apartment	S\$8,500,000 (Singapore Dollars)	31 May 2010	11 June 2010
13	DTZ Debenham Tie Leung (SEA) Pte Ltd.	Unit 18-02 Ardmore Park, 15 Ardmore Park, Singapore 259959	Residential apartment	S\$8,900,000 (Singapore Dollars)	31 May 2010	11 June 2010

**APPENDIX III****PROPERTY VALUATION REPORTS OF THE GROUP**

<b>No.</b>	<b>Valuers</b>	<b>Properties</b>	<b>Type</b>	<b>Valuation</b>	<b>Date of valuation</b>	<b>Date of valuation report</b>
14	A. G. Wilkinson & Associates (Surveyors) Limited	House 9 (including garden, carport, flat roof and roof) Villa Castell, No. 20 Yau King Lane, Tai Po, New Territories.	Semi-detached house	HK\$14,000,000	31 March 2010	10 June 2010
15	A. G. Wilkinson & Associates (Surveyors) Limited	Workshop Space B on 1st Floor, Fung Wah Factory Building, Nos. 646, 648 and 648A Castle Peak Road, Kowloon.	Workshop	HK\$3,000,000	31 March 2010	10 June 2010
16	A. G. Wilkinson & Associates (Surveyors) Limited	Units 1 and 2 on 7th Floor, Block D and Car Parking Spaces No. 46 on Lower Ground Floor, Shatin Heights, No. 8003 Tai Po Road, Shatin, New Territories.	Residential and car parking spaces	HK\$10,800,000	31 March 2010	10 June 2010
17	A. G. Wilkinson & Associates (Surveyors) Limited	Roof No. 20 Wing Hong Street, Kowloon.	Roof of industrial unit	HK\$570,000	31 March 2010	10 June 2010
18	A. G. Wilkinson & Associates (Surveyors) Limited	5th Floor, No. 20 Wing Hong Street, Kowloon.	Industrial unit	HK\$3,700,000	31 March 2010	10 June 2010
19	A. G. Wilkinson & Associates (Surveyors) Limited	3rd Floor, 161 Wong Nai Chung Road, Hong Kong.	Domestic	HK\$6,800,000	31 March 2010	10 June 2010
20	A. G. Wilkinson & Associates (Surveyors) Limited	House No. 11 and the Garden Appurtenant Thereto and Car Parking Spaces No. 11A and 11B on Basement Floor, Las Pinadas, No. 33 Shouson Hill Road, Hong Kong.	Semi-detached house	HK\$70,000,000	31 March 2010	10 June 2010

*The following are the text of letters, summary of values and valuation certificates from the Independent Valuers, in connection with their valuations of the properties held by the Group, prepared for inclusion in this Composite Offer Document.*

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

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



22 June 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: VARIOUS PROPERTIES IN HONG KONG**

In accordance with your instructions for us to value the properties owned 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 March 2010 or 31 May 2010 (“relevant dates of valuation”).

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 outgoing of an onerous nature which could serve to affect the value of the properties.

As advised by the Group, the potential tax liability is stamp duty and 16.5% profit tax which would arise on the disposals. It is expected that the relevant tax will be crystallized in the future as the properties are held for sale after redevelopment. The profit tax will be charged on the difference between sale proceeds and the total costs of development which can only be accounted for after the completion and sale of the development.

We enclose herewith our valuation certificates.

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

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

## SUMMARY OF VALUES

*Group I — Property held by the Group under development in Hong Kong*

<b>Property</b>	<b>Capital Value in existing state as at 31 March 2010</b>
1. Nos. 1 & 1A and 3 & 3A Victory Avenue Ho Man Tin Kowloon	HK\$255,000,000
<b>Sub-total</b>	<b>HK\$255,000,000</b>

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

<b>Property</b>	<b>Capital Value in existing state as at 31 March 2010</b>
2. Nos. 313, 313A, 313B, 313C Prince Edward Road West Ho Man Tin Kowloon	HK\$159,000,000
3. Nos. 311B and 311D Prince Edward Road West Ho Man Tin Kowloon	HK\$101,000,000
<b>Property</b>	<b>Capital Value in existing state as at 31 May 2010</b>
4. Nos. 311A and 311C Prince Edward Road West Ho Man Tin Kowloon	HK\$101,000,000
<b>Sub-total</b>	<b>HK\$361,000,000</b>
<b>Total</b>	<b><u>HK\$616,000,000</u></b>



## VALUATION CERTIFICATE

*Group I — Properties held by the Group under development in Hong Kong*

Property	Description and Tenure	Particulars of Occupancy	Market value in Existing state as at 31 March 2010
1. Nos. 1 & 1A, 3 & 3A Victory Avenue, Ho Man Tin, Kowloon  Kowloon Inland Lot No. Nos. 1343 and 1344	<p>The property comprises a development land with a site area of 464.60 sq.m. (5,001 sq.ft.) or thereabouts.</p> <p>The development will comprise a 23-storey residential building on two commercial floors on the ground and first floors.</p> <p>A clubhouse is provided on the third floor with a gymnasium, games room and a sitting area.</p> <p>The anticipated completion of the development is in August 2011.</p> <p>According to the information provided by the Group, the approved gross floor area of the development is totally 3,935.993 sq.m. (42,367 sq.ft.)</p> <p>The property is held under Government Leases for a same term of 75 years commencing from 1 December 1913 and renewed for another 75 years.</p> <p>The Government rent is totally HK\$36,060 per annum.</p>	As at 31 March 2010, construction work is undergoing.	HK\$255,000,000

*Notes:*

- The registered owner of the property is Happy Light Investments Limited (a wholly-owned subsidiary of the Group).
- Pursuant to Ho Man Tin Outline Zoning Plan No. S/K7/20 dated 5 May 2009, the property lies on an area zoned for "Residential (Group A)".
- The total construction cost expended on the property as at 31 March 2010 was in the sum of HK\$17,800,000 (excluding interest capitalized) which has been reflected in the capital value in its existing state. The estimated further construction cost required for completion of the development is in the sum of HK\$62,300,000.
- The estimated capital value of the development when completed as at 31 March 2010 is in the sum of HK\$377,500,000.

*Group II — Properties held by the Group for future development in Hong Kong*

Property	Description and Tenure	Particulars of Occupancy	Market value in Existing state as at 31 March 2010
2. Nos. 313, 313A, 313B, 313C Prince Edward Road West, Ho Man Tin, Kowloon	The property comprises a development land with a site area of 702.42 sq.m. (7,560.8 sq.ft.) or thereabouts, which is currently erected with a 3-storey building completed in 1956 with a total of 12 units.  The property is held under a Government Lease for a term of 75 years commencing from 7 January 1924 and renewed for a further term of 75 years.  The Government rent is HK\$59,940 per annum.	As at 31 March 2010, the property has been vacant.	HK\$159,000,000

*Notes:*

- The current registered owner of all the units of the existing building is Trump Elegant Investment Limited (a wholly-owned subsidiary of the Group),
- The Government Lease of Kowloon Inland Lot No. 1685 contains inter alia the following restrictions on the development of the lot:

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

- The property is zoned “Residential (Group B)” on the Ho Man Tin Outline Zoning Plan No. S/K7/20 dated 5 May 2009.

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

- 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.
- There are no conditions stipulated in the Government Lease of the property as to the construction of roadways, pathway, drainage, sewage and other facilities or services for public uses.

Property	Description and Tenure	Particulars of Occupancy	Market value in Existing state as at 31 March 2010
3. Nos. 311B and 311D Prince Edward Road West, Ho Man Tin, Kowloon	The property comprises a development land with a site area of 456.92 sq.m. (4,918.33 q.ft.) or thereabouts, which is currently erected with a 3-storey building completed in 1954 with a total of 12 units.	As at 31 March 2010, Ground Floor and 2nd Floor of 311D Prince Edward Road have been	HK\$101,000,000
Subsection 1 of Section A of Kowloon Inland Lot No. 2978	The property is held under a Government Lease for a term of 75 years commencing from 6 October 1930 and renewed for a further term of 75 years.  The Government rent is HK\$28,458 per annum.	let back to the previous owners. Latest vacant possession of these units can be obtained on 19 July 2010. Other units have been vacant.	

*Notes:*

1. The current registered owner of all the units of the existing building is Kingbest Capital Holdings Limited (a wholly-owned subsidiary of the Group).
2. The respective units are subject to the individual encumbrances as the followings:

Front Portion (No. 311B Prince Edward Road West) of Ground Floor	—	<ol style="list-style-type: none"> <li>i. Order No. UBZ/U29-04/0006/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 07041100390189 dated 23 March 2006</li> <li>ii. Order No. UBZ/U29-04/0011/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08040202070133 dated 23 March 2006 ReRemarks: Re: Roof &amp; Common Areas</li> </ol>
Rear Portion (No. 311D Prince Edward Road West) of Ground Floor		<ol style="list-style-type: none"> <li>i. Order No. UBZ/U29-04/0011/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08040202070133 dated 23 March 2006 Remarks: Re: Roof &amp; Common Areas</li> <li>ii. Notice No. WCBZ/S202890/04/K-R02 by the Building Authority under S.24C(1) of the Buildings Ordinance vide Memorial No. 08112001110031 dated 14 August 2008</li> </ol>

- |  |          |   |
|--|----------|---|
| <p>Front Portion (No. 311B Prince Edward Road West) of 1st Floor</p> | <p>—</p> | <p>i. Order No. UBZ/U29-04/0007/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08063000550442 dated 23 March 2006</p> <p>ii. Order No. UBZ/U29-04/0011/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08040202070133 dated 23 March 2006 Remarks: Re: Roof &amp; Common Areas</p> |
| <p>Rear Portion (No. 311D Prince Edward Road West) of 1st Floor</p>  | <p>—</p> | <p>Order No. UBZ/U29-04/0024/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 07110201570408 dated 3 November 2006 Remarks: With clarification letter dated 24 September 2007</p>  |
| <p>Front Portion (No. 311B Prince Edward Road West) of 2nd Floor</p> | <p>—</p> | <p>Order No. UBZ/U29-04/0011/04 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 08040202070133 dated 23 March 2006 Remarks: Re: Roof &amp; Common Areas</p>  |
3. The Government Lease of Kowloon Inland Lot No. 2978 contains inter alia the following restrictions on the development of the lot:
- “... will not erect on the said piece or parcel of grounds any buildings other than houses of European type and design of the exterior elevations and disposition whereof shall be subject to the special approval of the said Director and height of any such buildings exceed Thirty Five Feet except with the consent of the said Director And will not make any alternations or additions to the said buildings after the plans thereof have been approved except with the consent of the said Director will not erect any building within Twenty feet of Prince Edward Road...”
4. The property is zoned “Residential (Group B)” on the Ho Man Tin Outline Zoning Plan No. S/K7/20 dated 5 May 2009.
- According to the explanatory note attached to the Outline Zoning Plan, on land designated “Residential (Group B)”, no new development, or addition, alternation and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment of an existing building in excess of a maximum plot ratio of 5.0 and the maximum building heights in terms of metres above Principal Datum as stipulated on the Plan, or the plot ratio and height of the existing building, whichever is the greater.
5. No architectural plans have been approved and no planning consent has been obtained in respect of the redevelopment of the subject site as at the date of valuation.
6. There are no conditions stipulated in the Government Lease of the property as to the construction of roadways, pathways, drainage, sewage and other facilities or services for public uses.

	<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Market value in Existing state as at 31 May 2010</b>
4	No. 311A and No. 311C Prince Edward Road West, Ho Man Tin, Kowloon  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 May 2010, 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>Front Portion of Ground and 2nd Floors are vacant.</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:*

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

Front Portion (No. 311A Prince Edward Road West) of Ground Floor	—	Manor Limited (independent third party)
Rear Portion (No. 311C Prince Edward Road West) of Ground Floor	—	Chief Access Limited (a wholly-owned subsidiary of the Group)
Front Portion (No. 311A Prince Edward Road West) of 1st Floor	—	Sheung Tak Tong Limited (independent third party)
Rear Portion (No. 311C Prince Edward Road West) of 1st Floor	—	Chief Access Limited (a wholly-owned subsidiary of the Group)
Front Portion (No. 311A Prince Edward Road West) of 2nd Floor	—	Chief Access Limited (a wholly-owned subsidiary of the Group)
Rear Portion (No. 311C Prince Edward Road West) of 2nd Floor	—	Lee Sum (independent third party)

2. 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 Remarks: Re: Roof &amp; Common Area</li> <li>iv. Agreement For Sale Purchase in favour of Chief Access Limited (a wholly-owned subsidiary of the Group) registered vide Memorial No. 10022302000014 dated 10 February 2010</li> <li>v. Assignment in favour of Chief Access Limited (a wholly-owned subsidiary of the Group) registered vide Memorial No. 10060300290013 dated 10 May 2010 (Deed pending registration)</li> </ul>
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Rear Portion (No. 311C Prince Edward Road West) of Ground 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.	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
Front Portion (No. 311A Prince Edward Road West) of 1st Floor	—	i. Order No. C&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
	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 (a wholly-owned subsidiary of the Group) registered vide Memorial No. 10022302000039 dated 10 February 2010
	iv.	Assignment in favour of Chief Access Limited (a wholly-owned subsidiary of the Group) registered vide Memorial No. 10060300290026 dated 10 May 2010 (Deed pending registration)
Rear Portion (No. 311C Prince Edward Road West) of 1st 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/S2/022098/04/K by the Building Authority under S.24(1) of the Buildings Ordinance registered vide Memorial No. 08082600990067 dated 12 June 2008
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
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 (a wholly-owned subsidiary of the Group) registered vide Memorial No. 10022302000064 dated 10 February 2010
	iv.	Assignment in favour of Chief Access Limited (a wholly-owned subsidiary of the Group) registered vide Memorial No. 10060300290039 dated 10 May 2010 (Deed pending registration)

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

“... will not erect on the said piece or parcel of grounds any buildings other than houses of European type and design of the exterior elevations and disposition whereof shall be subject to the special approval of the said Director and height of any such buildings exceed Thirty Five Feet except with the consent of the said Director And will not make any alternations or additions to the said buildings after the plans thereof have been approved except with the consent of the said Director will not erect any building within Twenty feet of Prince Edward Road...”

4. The 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.

5. No architectural plans have been approved and no planning consent has been obtained in respect of the redevelopment of the subject site as at the date of valuation.
6. There are no conditions stipulated in the Government Lease of the property as to the construction of roadways, pathways, drainage, sewage and other facilities or services for public uses.





4/F, Shui On Centre,  
6-8 Harbour Road  
Wanchai, Hong Kong

22 June 2010

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

Dear Sirs

#### **Property Valuation as at 31 March 2010**

In accordance with your instructions for us to value the properties held by Easyknit International Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market values of the properties as at 31 March 2010 for the purpose of inclusion in a public circular.

#### **Basis of Valuation**

We have valued each of the properties at its market value which we would define as meaning “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

#### **Valuation Methodology**

We have generally valued the properties by “Direct Comparison Approach” with reference to market sales transactions and where appropriate by capitalizing the net income shown on the schedules handed to us with due provision for the reversionary income potential of the properties.

**Valuation Considerations**

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, lettings, particulars of occupancy, floor areas and all other relevant matters. We have caused searches to be made at the Land Registry. However, we have not scrutinised the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate.

For some of the properties which had their leases expired before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance under which such leases have been extended without premium until 30 June 2047 and that an annual rent at three per cent of the rateable value of the property is charged per annum from the date of extension.

We have inspected the exterior of the properties valued. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or are not free of rot, infestation or any other defects. No tests were carried out on any of the services.

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

As advised by the Group, the Group has no intention to dispose of the properties and the likelihood of the relevant tax liability being crystallized is remote.

In undertaking the valuation, we have regarded to the requirements contained in the "HKIS Valuation Standards on Properties (First Edition 2005)" issued by the Hong Kong Institute of Surveyors, Chapter 5 of the Listing Rules and Rule 11 of The Code on Takeovers and Mergers and Share Repurchases.

We enclose herewith our summary of values and valuation.

Yours faithfully  
For and on behalf of  
**Knight Frank Petty Limited**  
**Alex S L Ng**  
MRICS MHKIS RPS(GP)  
*Executive Director*

Yours faithfully  
For and on behalf of  
**Knight Frank Petty Limited**  
**Catherine Cheung**  
MRICS MHKIS RPS (GP)  
*Director*

Encl.

*Note:* Mr Alex S L Ng has been a qualified valuer for Knight Frank Petty Limited since November 1995 and has 23 years' experience in valuation of properties in Hong Kong.

Ms Catherine Cheung is a member of the Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors and has extensive valuation experience in Hong Kong properties.

## SUMMARY OF VALUES

<b>Property</b>	<b>Market value in existing state as at 31 March 2010</b>
1. Ground Floor, No 50 Yun Ping Road, Causeway Bay, Hong Kong	\$114,000,000
2. 2nd Floor of Nos 790, 792 and 794 Cheung Sha Wan Road, Lai Chi Kok, Kowloon	\$ 2,710,000
3. 6th Floor of Nos 650-652 Castle Peak Road and No 18A Wing Hong Street, Lai Chi Kok, Kowloon	\$ 10,100,000
4. Commercial units in Fa Yuen Plaza, No 19 Fa Yuen Street, Mongkok, Kowloon	\$250,500,000
5. Easy Tower, No 609 Tai Nan West Street, Cheung Sha Wan, Kowloon	\$200,000,000
6. Workshops A and B on 7th Floor and Car Parking Spaces Nos L8 and L11 on 4th Floor, No 481 Castle Peak Road, Cheung Sha Wan, Kowloon	\$ 42,620,000
Total :	<u>\$619,930,000</u>

## VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2010
1. Ground Floor, No 50 Yun Ping Road, Causeway Bay, Hong Kong	The property comprises a shop unit on the Ground Floor of a 6-storey (including a basement) composite building completed in about 1955.	The property is subject to a tenancy for a term of three years expiring on 28 March 2013 at a monthly rent of \$410,000 exclusive of rates.	\$114,000,000
1/6th share of and in the Remaining Portion of Section I of Inland Lot No. 457 and Section C of Sub-section 3 of Section O of Inland Lot No 29.	<p>The saleable area of the property is approximately 900 sq ft.</p> <p>The property is held under two Government leases with respective lease terms as follows :-</p> <p>Inland Lot No 29 982 years from 25 June 1860</p> <p>Inland Lot No 457 999 years from 24 December 1865</p> <p>The total Government rent for the subject lot sections is \$9.99 per annum.</p>		

*Notes :*

- (1) The registered owner of the property is Wellmake Investments Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a superseding order No. DBZ/U12/0029/03 under Sec. 26 of The Buildings Ordinance issued by the Building Authority (Re: For common areas of the building only).
- (3) According to Causeway Bay Outline Zoning Plan No S/H6/14 dated 13 September 2005, the property is situated within an area zoned for "Commercial / Residential" use.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2010
2. 2nd Floor of Nos 790, 792 and 794 Cheung Sha Wan Road, Lai Chi Kok, Kowloon  1/7th share of and in each of the Remaining Portion of Sub-section 4 of Section B of New Kowloon Inland Lot No 3516, Section D of Subsection 4 of Section B of New Kowloon Inland Lot No 3516 and Section C of Subsection 4 of Section B of New Kowloon Inland Lot No 3516	The property comprises three industrial units on the 2nd floor of two 7-storey industrial buildings completed in about 1959.  The total saleable area of the property is approximately 2,997 sq ft.  The property is held under a set of Conditions of Sale for a term of 75 years from 1 July 1898 renewed for a further term of 24 years less the last three days thereof and has been statutorily extended to 30 June 2047.  The annual Government rent for the property is an amount equal to 3 per cent of the then rateable value of the property.	The property is subject to a tenancy for a term of two years expiring on 30 November 2011 at a monthly rent of \$21,800 inclusive of rates and government rent.	\$2,710,000

*Notes :*

- (1) The registered owner of the property is Janson Properties Limited, a wholly owned subsidiary of the Company.
- (2) According to Cheung Sha Wan Outline Zoning Plan No S/K5/31 dated 3 June 2008, the property is situated within an area zoned for "Other Specified Uses (Business)".

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2010
3. 6th Floor of Nos 650-652 Castle Peak Road and No 18A Wing Hong Street, Lai Chi Kok, Kowloon  4/40th shares of and in Section B of New Kowloon Inland Lot No 1750	<p>The property comprises the whole of the 6th floor of a 9-storey industrial building completed in about 1961.</p> <p>The saleable area of the property is approximately 8,514 sq ft.</p> <p>The property is held under a Government lease for a term of 75 years commencing from 1 July 1898 renewed for a further term of 24 years less the last three days thereof and has been statutorily extended to 30 June 2047.</p> <p>The annual Government rent for the property is an amount equal to 3 per cent of the then rateable value of the property.</p>	<p>The property is subject to a tenancy for a term of three years expiring on 15 August 2011 at a monthly rent of \$70,000 inclusive of rates and government rent.</p>	\$10,100,000

*Notes :*

- (1) The registered owner of the property is Golden Top Properties Limited, a wholly owned subsidiary of the Company.
- (2) According to Cheung Sha Wan Outline Zoning Plan No S/K5/31 dated 3 June 2008, the property is situated within an area zoned for "Other Specified Uses (Business)".

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2010
4. Commercial units in Fa Yuen Plaza, No 19 Fa Yuen Street, Mongkok, Kowloon	The property comprises all the commercial units in a 16-storey residential building erected over a 3-storey commercial podium and was completed in 2003.	The property was let to various tenancies for terms of two or three years with the latest tenancy expiring in March 2013 at a total rent of about \$1,012,000 per month exclusive of rates.	\$250,500,000
Situated within Kowloon Inland Lot No 11123	The gross floor areas of the property are as follows:-		
	<b>Floor</b>	<b>Gross Floor Area (sq.ft.)</b>	
	G/F	4,316	
	Showcase on G/F	153	
	1/F	4,711	
	2/F	<u>4,364</u>	
	Total :	<u>13,544</u>	
	The property is held under a Conditions of Exchange for a term of 50 years commencing from 8 October 2002.		
	The Government rent for the property is an amount equal to 3 per cent of the then rateable value of the property.		

*Notes :*

- (1) The registered owner of the property is Mark Profit Development Limited, a wholly owned subsidiary of the Company.
- (2) The breakdown of the valuation is shown as follows :-
- |   |              |
|---|--------------|
| Shop 1 on G/F, showcase on G/F and whole of 1/F | \$86,900,000 |
| Shop 2 on G/F                                   | \$71,600,000 |
| Shop 3 on G/F                                   | \$57,000,000 |
| Whole of 2/F                                    | \$35,000,000 |
- (3) According to Mong Kok Outline Zoning Plan No S/K3/27 dated 26 March 2010, the property is situated within an area zoned for "Residential (Group A)" uses.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2010
5. Easy Tower, No 609 Tai Nan West Street, Cheung Sha Wan, Kowloon  New Kowloon Inland Lot No 6238	<p>The property comprises a 21-storey industrial / office tower erected over a 6-storey carpark podium on a site with a registered site area of about 6,121 sq ft. The property was completed in 1998.</p> <p>The property has a total gross floor area of about 74,458 sq ft plus 28 carparking spaces.</p> <p>The property is held under a Conditions of Exchange for a term of 50 years from 15 December 1997.</p> <p>The annual Government rent for the property is an amount equal to 3 per cent of the then rateable value of the property.</p>	<p>With the exception of about 12,490 sq ft of gross floor area which are vacant, the property is subject to various tenancies with the latest tenancy expiring in April 2012 at a total monthly rent of about \$670,000 exclusive of rates, government rent and management fee.</p> <p>The carparking spaces of the property are subject to a tenancy for a term expiring on 30 June 2010 at a monthly rent of \$102,500 inclusive of rates and government rent.</p>	\$200,000,000

*Notes :*

- (1) The registered owner of the property is Wellmake Investments Limited, a wholly owned subsidiary of the Company.
- (2) According to Cheung Sha Wan Outline Zoning Plan No S/K5/31 dated 3 June 2008, the property is situated within an area zoned for "Other Specified Uses (Business)".



Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2010
6. Workshops A and B on 7th Floor and Car Parking Spaces Nos L8 and L11 on 4th Floor, No 481 Castle Peak Road, Cheung Sha Wan, Kowloon  772/11,133rd shares of and in Section C of New Kowloon Inland Lot No 3516	<p>The property comprises two workshops on the 7th Floor and two lorry parking spaces on the 4th Floor of a 12-storey (including ground floor and basement) industrial building completed in 1980.</p> <p>The property (excluding the lorry parking spaces) has a total saleable area of approximately 21,426 sq ft with unit A of 11,874 sq ft and unit B of 9,552 sq ft.</p> <p>The property is held under a Conditions of Sale for a term of 75 years from 1 July 1898 renewed for a further term of 24 years less the last three days thereof and has been statutorily extended to 30 June 2047.</p> <p>The annual Government rent for the property is an amount equal to 3 per cent of the then rateable value of the property.</p>	<p>With the exception of about 4,300 sq ft and 14,434 sq ft of gross floor area which are vacant and owner-occupied respectively, the property is subject to a tenancy for a term of 2 years expiring on 15 November 2010 at a rent of \$33,600 per month inclusive of rates.</p>	\$42,620,000

*Notes :*

- (1) The registered owner of the property is Wellmake Investments Limited, a wholly owned subsidiary of the Company.
- (2) The breakdown of the valuation as at 31 March 2010 into respective units are as follows :-
- |                                    |   |                |
|------------------------------------|---|----------------|
| Block B1                           | : | HK\$8,390,000  |
| Portion of Block B                 | : | HK\$4,690,000  |
| Block B3 & carparking space No. L8 | : | HK\$5,690,000  |
| Block A & carparking space No. L11 | : | HK\$23,850,000 |
- (3) According to Cheung Sha Wan Outline Zoning Plan No S/K5/31 dated 3 June 2008, the property is situated within an area zoned for "Other Specified Uses (Business)".



Our Ref : CL:KF:rt:1006058

11 June 2010

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

Dear Sirs

**RE : VALUATION OF 15 ARDMORE PARK #04-03/#06-04/#18-02  
ARDMORE PARK, SINGAPORE 259959 AS AT 31 MAY 2010**

This valuation report has been prepared in accordance with the valuation standards and guidelines of The Singapore Institute of Surveyors and Valuers ("SISV"). The SISV's valuation standards are comparable to the valuation standards as required under Rule 5.05 of the Listing Rules of the Hong Kong Stock Exchange ("HKSE"), and the basis thereof.

The term "Open Market Value" as used herein is intended to mean "the highest value at which the sale interest in property might reasonably be expected to have been completed as at the date of valuation, assuming,

- a) a willing seller;
- b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms for the completion of the sale;
- c) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- d) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred term contract, joint venture, sale and lease back or any similar arrangement which could serve to affect the value of the property.

**DTZ Debenham Tie Leung (SEA) Pte Ltd**

100 Beach Road #35-00 Shaw Tower  
Singapore 189702  
**Tel:** +65 6293 3228  
**Fax:** +65 6292 1633/6298 9328  
[www.dtz.com/sg](http://www.dtz.com/sg)

RCC Registered No. 199501391G

.../Page 2



**Easyknit International Holdings Ltd**

11 June 2010

A summary of our valuation together with a brief description of the properties is appended to this Valuation Certificate.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property, nor for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the properties are free of encumbrances, restrictions or other outgoings of an onerous nature which would affect value, other than those which have been indicated to us.

We confirm that we have made relevant searches and enquiries, and obtained the necessary information in order to render our opinion of value.

We were not instructed to carry out a structural survey of the buildings, or to test any of the services, but we have reflected in our valuation, where necessary, any items of disrepair which we noticed during the course of our inspection. We are not, however, able to report that the buildings are free of rot, infestation or any other defect.

Our opinion of the open market value of the subject properties as at 31 May 2010 is arrived at by direct comparison with recent transactions of comparable properties within the vicinity and elsewhere. Necessary adjustments have been made for differences in location, tenure, size, shape, design and layout, age and condition of buildings, availability of facilities, dates of transactions and the prevailing market conditions amongst other factors affecting their value.

As advised by the Group, the Group has no intention to dispose of the properties and the likelihood of the relevant tax liability being crystallized is remote. According to our standard practice and in the course of our valuation, we have neither verified nor taken into account such tax liability.

Neither the whole of this Certificate, nor any part, nor reference thereto may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.

Finally and in accordance with our normal practice, we confirm that this Valuation Certificate is for the use only of the party to whom it is addressed and no responsibility whatsoever is accepted to any third party.

Yours faithfully  
for and on behalf of  
**DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD**

A handwritten signature in black ink, appearing to read 'Poh Kwee Eng', written over a horizontal line.

Poh Kwee Eng (Ms)  
Executive Director, Valuation  
BSc (Est Man) FSISV  
(Appraiser's Licence No: AD041-2003168D)

DTZ

## VALUATION SUMMARY

<b>Property</b>	:	15 Ardmore Park #04-03/#06-04/#18-02 Ardmore Park Singapore 259959		
<b>Legal Description</b> (Town Subdivision 25)	:	<b>#04-03</b>	<b>#06-04</b>	<b>#18-02</b>
		U3594X	U3568V	U3635X
<b>Strata Floor Area</b>	:	268.0	268.0	268.0
<b>Shares in Common Property</b>	:	5/1,680	5/1,680	5/1,680
<b>Tenure</b>	:	Freehold		
<b>Registered Proprietor</b>	:	Grow Well Profits Limited (a wholly owned subsidiary of the Company).		
<b>Master Plan Zoning</b> (2008 Edition)	:	Residential		
<b>Encumbrance</b>	:	Nil.		
<b>Brief Description</b>	:	3 units of 4-bedroom apartments located on the 4 <sup>th</sup> , 6 <sup>th</sup> and 18 <sup>th</sup> storey of a 30-storey block within Ardmore Park, a condominium development.		
<b>Tenancy Details</b>	:	We were informed that the subject properties are currently tenanted at a monthly gross rental as follows:-		

Unit No.	Monthly Gross Rental	Lease Period
#04-03	S\$18,000/-	2 years commencing from 1 October 2008 to 30 September 2010
#06-04	S\$17,000/-	2 years commencing from 1 December 2008 to 30 November 2010
#18-02	S\$17,000/-	2 years commencing from 1 March 2009 to 28 February 2011


**VALUATION SUMMARY (cont'd)**

**Valuation** : Having regard to all relevant information, we are of the opinion that the open market value of the subject properties as at 31 May 2010, free from all encumbrances, is as follows:-

Unit No.	Open Market Value As At 31 May 2010
#04-03	S\$8,450,000/-
#06-04	S\$8,500,000/-
#18-02	S\$8,900,000/-
<b>Total</b>	<b>S\$25,850,000/-</b> (Singapore Dollars Twenty-Five Million Eight Hundred And Fifty Thousand)

for and on behalf of  
**DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD**

Poh Kwee Eng (Ms) \*  
 Executive Director, Valuation  
 BSc (Est Man) FSISV  
 (Appraiser's Licence No: AD041-2003168D)

Date : 11 June 2010

Our Ref : CL:KF:rl:1006058

\* Poh Kwee Eng, a licenced valuer, has over 28 years of experience in valuation and is a fellow of the Singapore Institute of Surveyors and Valuers.

**LIMITING CONDITIONS**

This property Valuation and Report has been prepared subject to the following limiting conditions:-

**VALUATION BASIS**

Our valuation is made on the basis of Open Market Value. This is intended to mean the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- a) a willing seller;
- b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- c) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- d) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

No allowances are made for any expenses or realisation or for taxation which might arise in the event of a disposal. Our valuation assumes that as at the date of valuation, the property is free and clear of all mortgages, encumbrances and other outstanding premiums, charges and liabilities.

Values are reported in Singapore Currency.

**CONFIDENTIALITY**

Our Valuation and Report is confidential to the party to whom it is addressed and to their professional advisors for the specific purpose to which they refer. The valuer disclaims all responsibility and will accept no liability to any other party. Neither the whole, nor any part, nor reference thereto may be published in any document, statement or circular, nor in any communication with third parties, without our prior written consent of the form and context in which it will appear.

**SOURCE OF INFORMATION**

Where it is stated in the report that information has been supplied to the valuer by the sources listed, this information is believed to be reliable, but the valuer will accept no responsibility if this should prove not to be so. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with relevant government authorities.

**TENANTS**

Enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

**TOWN PLANNING AND OTHER STATUTORY REGULATIONS**

Information on Town Planning is obtained from the set of Master Plan, Development Guide Plan (DGP) and Written Statement published by the competent authority. Unless otherwise instructed, we do not normally carry out requisitions with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road improvements. If assurance is required, we recommend that verification be obtained from your lawyers:

Our valuations are prepared on the basis that the premises and any improvements thereon comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a Certificate of Statutory Completion by the competent authority.

**STRUCTURAL SURVEYS**

Unless expressly instructed, we do not carry out a structural survey, nor do we test the services. Whilst any defects or items of disrepair which we note during the course of our inspection will be reflected in our valuations, we are not able to give any assurance in respect of rot, termite, or past infestation or other hidden defects.

**SITE CONDITIONS**

We do not normally carry out investigations on site in order to determine the suitability of the ground conditions, and the services, for any new development. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.

**MAXIMUM LIABILITY**

Our maximum liability to the client relating to our services rendered (regardless of action whether in contract, negligence or otherwise) shall be limited to fees paid for engaging our services. Under no circumstances will we be liable for consequential, incidental, punitive or special losses, damage or expenses (including opportunity costs and loss of profits) despite being advised of their possible existence.

**ATTENDANCE IN COURT**

The valuer is not required to give testimony or to appear in court by reason of this report unless specific arrangement has been made therefor.



June 10, 2010

Our Ref: 10/VT/01182

The Directors

Easyknit International Holdings Ltd

7/F Hong Kong Spinners Industrial Building (Phase 6)

481-484 Castle Peak Road

Cheung Sha Wan

Kowloon

Dear Sirs,

**Re: Valuation of Properties Held for Investment in Hong Kong for Inclusion in Public Circular**

In accordance with your instruction for us to value the various properties for reference purpose, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at March 31, 2010.

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

In our valuation, we have adopted the Comparison Method of Valuation which is considered to be most appropriate for valuing owner-occupied or vacant premises. The Comparison Method of Valuation seeks to derive the market value of a property interest by comparing and making reference to the transaction prices, and asking prices if relevant, of similar type properties at similar locations. Adjustments of the transaction prices obtained may, in cases, be necessary to reflect the differences in building age, view, floor level, design and layout, etc. This valuation technique is to arrive at the adjusted unit rate of the property interest, upon which the valuation will be made.

For the leased properties, we have adopted the Investment Method of Valuation and it is done on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for outgoings and the reversionary income potential of the property interests.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property value, except where mentioned in our report. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

We have caused searches to be made at the relevant Land Registry. However, we have not searched the original documents to verify ownership or to verify any lease amendments. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate. Unless otherwise stated, the conversion factor of 1 square metre to 10.764 square feet is adopted.

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

We have carried out an inspection of the property, however, we have not carried out a structural survey and it was not possible to inspect the wood work and other parts of the structure which were covered, unexposed or inaccessible. We are therefore, unable to report that the property is free from any structural defects. No tests have been carried out on any of the building services.

As advised by the Group, they have no intention to dispose of their investment properties held by Goldchamp International Limited as at the date of valuation. The likelihood of the relevant tax liability being crystallized is remote.

Our valuation has been prepared in accordance with the HKIS Valuation Standards On Properties (1st Edition 2005), the Rules Governing the Listing of Securities on the Stock Exchange Of Hong Kong Limited (Main Board) and the Requirements set out in Rule 11 of the Code on Takeovers and Mergers of the Securities and Futures Commission in Hong Kong.

We enclosed herewith our summary of valuation and valuation certificate for your reference.

Yours faithfully,  
For and on behalf of  
**A.G. WILKINSON & ASSOCIATES**  
**Ringo C C Lam**  
**Registered Professional Surveyor (GP)**  
*BSc (Hons) MCIREAA, MHKIS, MRICS*  
*Director*  
*Valuation Department*

RL/CC/jy

*Note:* Mr. Ringo C C Lam is a Registered Professional Surveyor in the Hong Kong Special Administration Region. He is a professional member of three professional bodies, namely the China Institute of Real Estate Appraisers and Agents, Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors. Mr. Lam joined A.G. Wilkinson & Associates since 1995 and he has about 18 years of post-qualification experience in valuing properties in Hong Kong.



## SUMMARY OF VALUATIONS

<b>Property</b>	<b>Market Value as at March 31, 2010</b>
1. House 9 (including garden, carport, flat roof & roof) Villa Castell No. 20 Yau King Lane Tai Po New Territories	HK\$14,000,000
2. Workshop Space B on 1st Floor Fung Wah Factory Building Nos. 646, 648, 648A Castle Peak Road Kowloon	HK\$3,000,000
3. Units 1 & 2 on 7/F, Block D and Car Parking Space No. 46 on Lower G/F Shatin Heights No. 8003 Tai Po Road Shatin New Territories	HK\$10,800,000
4. Roof No. 20 Wing Hong Street Kowloon	HK\$570,000
5. 5th Floor No. 20 Wing Hong Street Kowloon	HK\$3,700,000
6. 3rd Floor 161 Wong Nai Chung Road Hong Kong	HK\$6,800,000
7. House No. 11 and the Garden Appurtenant There to and Car Parking Spaces No. 11A & 11B on Basement Floor Las Pinadas No. 33 Shouson Hill Road Hong Kong	HK\$70,000,000
Total:	<u>HK\$108,870,000</u>

*Note:* The subject properties were valued at HK\$108,870,000 (ONE HUNDRED EIGHT MILLION EIGHT HUNDRED AND SEVENTY THOUSAND HONG KONG DOLLARS) by External Valuer, A. G. Wilkinson & Associates (Surveyors) Ltd., as at March 31, 2010, on the basis of Market Value, in accordance with the HKIS Valuation Standards on Properties (1st Edition 2005), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board) and the Requirements set out in Rule 11 of the Takeovers Code of the Securities and Futures Commission in Hong Kong.

Property	Description and Tenure	Particular of Occupancy	Market Value as at March 31, 2010
1. House 9 (including garden, carport, flat roof & roof) Villa Castell No. 20 Yau King Lane Tai Po New Territories  45/3050 shares of and in Tai Po Town Lot No. 96	<p>The property forms the entire of a 3-storey semi-detached house which was completed on July 6, 1992.</p> <p>The property has a gross area of 219.06 sq.m. (2,358 sq.ft.) and a saleable area of 148.55 sq.m. (1,599 sq.ft.) with ancillary accommodations as follows:-</p> <p>Carport — 54.44 sq.m. (586 sq.ft.). Garden — 101.08 sq.m. (1,088 sq.ft.). Roof — 26.38 sq.m. (284 sq.ft.). Flat Roof — 2.51 sq.m. (27 sq.ft.).</p> <p>The property is held from the Government under New Grant No. TP12439 for a lease term expiring on June 30, 2047. The government rent payable for the lot is equivalent to 3% of the rateable value of the property.</p> <p>The property is currently zoned for “Residential (C)” use, with regard to town planning. There is no option or rights of pre-emption materially affecting the property.</p>	<p>The property was subject to a tenancy agreement expiring on December 22, 2011 at a monthly rental of HK\$27,000 inclusive of rates, management fees and government rent.</p>	HK\$14,000,000

*Notes:*

1. The registered owner of the property is “Goldchamp International Limited” vide Memorial No. TP680606 dated February 5, 2002.
2. Goldchamp International Limited is an wholly owned subsidiary company of the Easyknit International Holdings Ltd.

Property	Description and Tenure	Particular of Occupancy	Market Value as at March 31, 2010
2. Workshop Space B on 1st Floor Fung Wah Factory Building Nos. 646, 648, 648A Castle Peak Road Kowloon  2/60 shares of and in NKIL 2213 sA RP, sD, RP and sE	<p>The property forms one of the workshops on the 1st Floor of a 7-storey flatted industrial building which was completed in about 1970.</p> <p>The property has a saleable area of 179.95 sq.m. (1,937 sq.ft.).</p> <p>The property is held from the Government for a lease term expiring on June 30, 2047. The government rent payable for the lot is equivalent to 3% of the rateable value of the property.</p> <p>The property is currently zoned for Other Specified Uses (Business) with regard to town planning. There is no option or rights of pre-emption materially affecting the property.</p>	<p>The property was subject to a tenancy agreement expiring on October 15, 2010 at a monthly rental of HK\$13,500 inclusive of rates, government rent and management fee.</p>	HK\$3,000,000

*Notes:*

1. The registered owner of the property is "Goldchamp International Limited" vide Memorial No. UB7934333 dated October 30, 1999.
2. Goldchamp International Limited is an wholly owned subsidiary company of the Easyknit International Holdings Ltd.

Property	Description and Tenure	Particular of Occupancy	Market Value as at March 31, 2010
3. Units 1 & 2 on 7/F, Block D and Car Parking Space No. 46 on Lower G/F Shatin Heights No. 8003 Tai Po Road Shatin New Territories  47/2950 shares of and in Lot No. 1510 in D.D. 189	<p>The property forms the entire of the 7th Floor and one of the car parking spaces on Lower G/F of a 8-storey residential building which was completed on October 26, 1983.</p> <p>The property has a saleable area of 193.79 sq.m. (2,086 sq.ft.).</p> <p>The property is held from the Government under New Grant No. 9988 for a lease term expiring on June 30, 2047. The government rent payable for the lot is equivalent to 3% of the rateable value of the property.</p> <p>The property is currently zoned for “Residential (B)” use with regard to town planning. There is no option or rights of pre-emption materially affecting the property.</p>	<p>The property was subject to a tenancy agreement expiring on December 22, 2011 at a monthly rent of HK\$21,000 inclusive of management fees, rates and government rent.</p>	HK\$10,800,000

*Notes:*

1. The registered owner of the property is “Goldchamp International Limited” vide Memorial No. 05111500500026 dated October 15, 2005.
2. Goldchamp International Limited is a wholly owned subsidiary company of the Easyknit International Holdings Ltd.

Property	Description and Tenure	Particular of Occupancy	Market Value as at March 31, 2010
4. Roof No. 20 Wing Hong Street Kowloon  1/25 share of and in Section B of New Kowloon Inland Lot No. 2213.	<p>The property forms the entire of the Roof of a 6-storey industrial building which was completed in 1965.</p> <p>The property has a roof area of 246.84 sq.m. (2,657 sq.ft.).</p> <p>The property is held from the Government for a lease term expiring on June 30, 2047. The government rent payable for the lot is equivalent to 3% of the rateable value of the property.</p> <p>The property is currently zoned for Other Specified Uses (Business) with regard to town planning. There is no option or rights of pre-emption materially affecting the property.</p>	<p>The property together with the 5th Floor is subject to a tenancy agreement expiring on January 20, 2011 at a monthly rental of HK\$16,800 inclusive of rates, government rent and management fee.</p>	HK\$570,000

*Notes:*

1. The registered owner of the property is "Goldchamp International Limited" vide Memorial No. UB7929122 dated August 24, 1999.
2. Goldchamp International Limited is an wholly owned subsidiary company of the Easyknit International Holdings Ltd.
3. A Notice No. WNZ/U03-36/0001/05 by the Building Authority under Section 24C(1) of the Buildings Ordinance was registered at the Lands Office vide Memorial No. 08071101000031 dated July 21, 2007. In our valuation, we have assumed that this Notice has been complied with and have not taken into account the share of cost which the subject property's registered owner may have to bear in complying with the Notice.

Property	Description and Tenure	Particular of Occupancy	Market Value as at March 31, 2010
5. 5th Floor No. 20 Wing Hong Street Kowloon	The property forms the entire of the 5th Floor of a 6-storey industrial building which was completed in 1965.	The property together with the Roof is subject to a tenancy agreement expiring on January 20, 2011 at a monthly rental of HK\$16,800 inclusive of rates, government rent and management fee.	HK\$3,700,000
4/25 shares of and in Section B of New Kowloon Inland Lot No. 2213	The property has a saleable area of 244.98 sq.m. (2,637 sq.ft.) and a flat roof of 3.90 sq.m. (42 sq.ft.).  The property is held from the Government for a lease term expiring on June 30, 2047. The government rent payable for the lot is equivalent to 3% of the rateable value of the property.  The property is currently zoned for Other Specified Uses (Business) with regard to town planning. There is no option or rights of pre-emption materially affecting the property.		

*Notes:*

1. The registered owner of the property is "Goldchamp International Limited" vide Memorial No. UB7929123 dated August 24, 1999.
2. Goldchamp International Limited is an wholly owned subsidiary company of the Easyknit International Holdings Ltd.
3. At the time of our previous inspection, we noticed that the flat roof of the property was covered with concrete slab. It appears to us that this structure is unauthorized and may be subject to enforcement actions to be taken by the Building Authority. Neither this structure nor the cost of its removal has been taken into consideration for the purpose of this valuation.

Property	Description and Tenure	Particular of Occupancy	Market Value as at March 31, 2010
6. 3rd Floor 161 Wong Nai Chung Road Hong Kong  1/11 share of and in Inland Lot No. 4384	<p>The property forms one of the domestic units on the 3rd Floor of a 10-storey composite building which was completed in 1959.</p> <p>The property has a saleable area of 72.56 sq.m. (781 sq.ft.).</p> <p>The property is held from the Government for a lease term of 75 years from November 6, 1899, renewable for a further term of 75 years. The government rent payable for the property is HK\$1,980 per annum.</p> <p>The property is currently zoned for “Residential (A)” use with regard to town planning. There is no option or rights of pre-emption materially affecting the property.</p>	The property was vacant as at the date of valuation.	HK\$6,800,000

*Notes:*

1. The registered owner of the property is “Goldchamp International Limited” vide Memorial No. UB7869937 dated August 24, 1999.
2. Goldchamp International Limited is an wholly owned subsidiary company of the Easyknit International Holdings Ltd.



Property	Description and Tenure	Particular of Occupancy	Market Value as at March 31, 2010
7. House No. 11 and the Garden Appurtenant Thereto and Car Parking Spaces No. 11A & 11B on Basement Floor Las Pinadas No. 33 Shouson Hill Road Hong Kong  464/10,534 shares of and in Rural Building Lot No. 1093	<p>The property forms the entire of a 4-storey semi-detached house which was completed on March 9, 1995.</p> <p>The property has a saleable area of 272.48 sq.m. (2,933 sq.ft.) with ancillary accommodation as follows:-</p> <p>Side Roof — 15.42 sq.m (166 sq.ft.) Top Roof — 57.32 sq.m. (617 sq.ft.) Garden — 30.01 sq.m. (323 sq.ft.).</p> <p>The property is held from the Government under Conditions of Exchange No. 12161 for a lease term expiring on June 30, 2047. The government rent payable for the lot is equivalent to 3% of the rateable value of the property.</p> <p>The property is currently zoned for “Residential (C)3” use with regard to town planning. There is no option or rights of pre-emption materially affecting the property.</p>	<p>The property was leased out to a third party for a term of 2 years at a monthly rent of HK\$145,000 inclusive of Government rent, rates and management fee. The tenancy agreement was commencing from February 1, 2010 to January 31, 2012.</p>	HK\$70,000,000

*Notes:*

1. The registered owner of the property is “Goldchamp International Limited” vide Memorial No. 09040302640264 dated March 10, 2009.
2. Goldchamp International Limited is an wholly owned subsidiary company of the Easyknit International Holdings Ltd.
3. An Order No. DH0072/HK/08/C by the Building Authority under Section 27A of the Buildings Ordinance (Re: for Common Part(s) only) was registered at the Land Office vide Memorial No. 09010902170450 dated September 26, 2008. In our valuation, we have assumed that this Building Order has been complied with and have not taken into account the share of cost which the subject property’s registered owner may have to bear in complying with the Order.

## 1. RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of information contained in this Composite Offer Document (other than information in relation to Easyknit International) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document the omission of which would make any statement in this Composite Offer Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than information in relation to the Offeror and parties acting in concert with it (other than Easyknit International)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than opinions expressed by the Offeror and parties acting in concert with it (other than Easyknit International)), have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

## 2. SHARE CAPITAL

	<i>Notes</i>	<b>Nominal value per share HK\$</b>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised				
At 1 April 2006		0.10	10,000,000,000	1,000,000
Consolidation of shares	(a)		(9,000,000,000)	—
Subdivision of shares	(a)		<u>99,000,000,000</u>	<u>—</u>
At 31 March 2007, 2008 and 2009 and 30 September 2009		0.01	<u>100,000,000,000</u>	<u>1,000,000</u>
Consolidation of shares	(d)		<u>(90,000,000,000)</u>	<u>—</u>
As at Latest Practicable Date		0.10	<u><u>10,000,000,000</u></u>	<u><u>1,000,000</u></u>

	<i>Notes</i>	<b>Nominal value per share HK\$</b>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Issued and fully paid:				
At 1 April 2006		0.10	1,323,673,386	132,367
Rights issue of shares at a price of HK\$0.12 per rights share	(b)	0.10	661,836,693	66,184
Consolidation of shares	(a)		(1,786,959,072)	—
Subdivision of shares and reduction of share capital	(a)	—		(196,565)
Right issue of shares at a price of HK\$0.35 per rights share	(c)	0.01	<u>595,653,021</u>	<u>5,956</u>
At 31 March 2007, 2008 and 2009 and 30 September 2009		0.01	<u>794,204,028</u>	<u>7,942</u>
Consolidation of shares	(d)		<u>(714,783,625)</u>	—
As at Latest Practicable Date		0.10	<u><u>79,420,403</u></u>	<u><u>7,942</u></u>

*Notes:*

- (a) As announced by the Company on 30 August 2006, the Company proposed to effect (i) a share consolidation (the “2006 Share Consolidation”) pursuant to which every ten issued and unissued then existing shares of HK\$0.10 each were consolidated into one consolidated share of HK\$1.00 each (“Consolidated Share”); (ii) reduction of par value of each Consolidated Share from HK\$1.00 each to HK\$0.01 each by cancelling HK\$0.99 paid up share capital for each Consolidated Share in issue, subdivision of each unissued Consolidated Share with par value of HK\$1.00 each into 100 new shares with par value of HK\$0.01 each and transfer of credit arising there from with the amount of approximately HK\$196,565,000 to the capital reserve account (the “Capital Reduction”, together with the 2006 Share Consolidation, collectively referred to the “Capital Reorganisation”). Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 22 September 2006. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 16 October 2006. The Capital Reorganisation became effective on 17 October 2006.
- (b) 661,836,693 rights shares of HK\$0.10 each were allotted on 24 April 2006 at a subscription price of HK\$0.12 per rights share to the shareholders of the Company in the proportion of one rights share for every two existing shares then held. The Company raised approximately HK\$78,919,000 (net of directly attributable expenses of approximately HK\$502,000), which was used as partial payment for acquisition of the properties for development. All shares issued ranked *pari passu* with the then existing shares in issue in all respects.

- (c) 595,653,021 rights shares of HK\$0.01 each were allotted on 3 November 2006 at a subscription price of HK\$0.35 per rights share to the shareholders of the Company in the proportion of three rights shares for every existing share then held. The Company raised approximately HK\$207,139,000 (net of directly attributable expenses of approximately HK\$1,339,000), which was used to expand the Group's property portfolio and for general working capital purpose. All shares issued ranked *pari passu* with the then existing shares in issue in all respects.
- (d) As announced by the Company on 8 December 2009, the Company proposed to effect a share consolidation pursuant to which every ten (10) issued and unissued shares in Easyknit International of HK\$0.01 each were consolidated into one Share of HK\$0.10 ("Share Consolidation"). Details of the Share Consolidation are set out, inter alia, in the circular of the Company dated 29 January 2010. An ordinary resolution approving the Share Consolidation was passed at the special general meeting of the Company held on 17 February 2010. The Share Consolidation became effective on 18 February 2010.

Since 31 March 2009 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company. All Shares in issue rank *pari passu* in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

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

### 3. MARKET PRICES

The table below shows the closing prices of Shares quotes on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Date; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
30 November 2009	2.20
31 December 2009	2.65
29 January 2010	2.85
26 February 2010	2.85
31 March 2010	3.02
30 April 2010	2.89
25 May 2010 (being the Last Trading Day)	2.48
31 May 2010	3.10
22 June 2010 (being the Latest Practicable Date)	3.10

During the Relevant Period, adjusting for the effects of the Share Consolidation, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.15 per Share on 3 June 2010 and 4 June 2010 respectively, and the lowest closing price of the Shares on the Stock Exchange was HK\$2.20 per Share on 30 November 2009.

#### 4. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

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

(a) **Interests in the Company:**

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Ms. Lui Yuk Chu ( <i>Note i</i> )	Beneficiary of a trust	29,179,480	36.74%
Ms. Koon Ho Yan Candy ( <i>Note ii</i> )	Beneficiary of a trust	29,179,480	36.74%

*Notes:*

- (i) These Shares were registered in the name of and were beneficially owned by Magical Profits, 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 include Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of the Magical 2000 Trust.

(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</i> )	Beneficiary of a trust	116,395,325	31.7%
Ms. Koon Ho Yan Candy ( <i>Note ii</i> )	Beneficiary of a trust	116,395,325	31.7%

*Notes:*

- (i) These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of the Magical 2000 Trust.

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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of non-voting deferred shares (long position)</b>	<b>Approximate percentage of interest</b>
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 indirectly 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.

## 5. 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 (note a)	Interest of spouse	29,179,480	36.74%
Magical Profits (notes a and b)	Beneficial owner	29,179,480	36.74%
Accumulate More Profits Limited (note a)	Interest of controlled corporation	29,179,480	36.74%
Hang Seng Bank Trustee International Limited (notes a and c)	Trustee	29,179,480	36.74%
Hang Seng Bank Limited (note c)	Interest of controlled corporation	29,179,480	36.74%
The Hongkong and Shanghai Banking Corporation Limited (notes c)	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings BV (note c)	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings (UK) (note c)	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings BV (note c)	Interest of controlled corporation	29,179,480	36.74%

Name of substantial shareholder	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interest
HSBC Finance (Netherlands) (note c)	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings plc (note c)	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, 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 include Ms. Lui Yuk Chu and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of the Magical 2000 Trust. 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.
- (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.



**6. DISCLOSURE OF SHAREHOLDING IN THE GROUP AND THE OFFEROR**

As at the Latest Practicable Date, the sole shareholder and the sole director of the Offeror is Ms. Lui Yuk Chu, an executive Director and Vice President of Easyknit International. Ms. Lui Yuk Chu is interested in 29,179,480 Shares (representing approximately 36.74% of the issued share capital of Easyknit International). These Shares are registered in the name of and are beneficially owned by Magical Profits, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive Director, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of the Magical 2000 Trust. The Offeror is acting in concert with Ms. Lui Yuk Chu, Ms. Koon Ho Yan Candy, Magical Profits, Accumulate More Profits Limited and Hang Seng Bank Trustee International Limited.

As at the Latest Practicable Date,

- (i) save for 29,179,480 Shares, representing approximately 36.74% of the issued share capital of the Company as at the Latest Practicable Date, owned by the Offeror as disclosed above, none of the Offeror or its director or any parties acting in concert with it owned or controlled any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (ii) neither the Company nor any of the Directors (save for Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy) held any interest in the securities, convertible securities, warrants, options and derivatives in respect of the shares of the Offeror;
- (iii) no subsidiary of the Company or any pension fund of the Company or of any member of the Group owned or controlled any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (iv) none of the professional advisers named under the section headed “Experts and Consents” in this appendix or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (v) no Shares, convertible securities, warrants, options and derivatives in respect of the Shares were managed on a discretionary basis by fund managers connected with the Company;
- (vi) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with it;
- (vii) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code;

- (viii) none of the Offeror nor any parties acting in concert with it, prior to the posting of this Composite Offer Document, had received any irrevocable commitment to or not to accept the Offer;
- (ix) no person who owned or controlled Shares, prior to the posting of this Composite Offer Document has irrevocably committed to accepting or rejecting the Offer;
- (x) none of the Offeror or any parties acting in concert with it has borrowed or lent any Shares; and
- (xi) none of the Company or any Directors has borrowed or lent any Shares.

## **7. DEALINGS IN SECURITIES**

During the Relevant Period,

- (i) none of the Offeror, the directors of the Offeror or any parties acting in concert with it dealt for value in any securities, convertible securities, warrants, options and derivatives in respect of the Shares;
- (ii) neither the Company nor any of the Directors dealt in any securities, convertible securities, warrants, options and derivatives of the Offeror or the Company;
- (iii) no subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries, nor any of the professional advisers named under the section headed “Experts and Consents” in this appendix nor any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code had dealt for value in any securities, convertible securities, warrants, options and derivatives in respect of the Shares;
- (iv) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code had dealt for value in any securities of the Company;
- (v) no fund managers who managed funds on a discretionary basis and is connected with the Company had dealt in for value in any securities of the Company; and
- (vi) no person who had an arrangement of the kind referred to Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with it had dealt for value in any securities, convertible securities, warrants, options and derivatives in respect of the Shares.

## **8. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any service contract with Easyknit International or any of its subsidiaries or associated companies in force (i) which is continuous with

a notice period of 12 months or more; (ii) which is of a fixed term with more than 12 months to run irrespective of the notice period; or (iii) which (being either continuous or of a fixed term) had been entered into or amended within six months before 28 May 2010 (being the commencement date of the Offer Period as defined in the Takeovers Code for the Offer).

## 9. LITIGATION

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

## 10. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business carried on or intended to be carried on by the Group, were entered into by the Group within two years immediately preceding 28 May 2010 which are or may be material:

- a) the agreement dated 24 June 2008 entered into between Easyknit Properties Holdings Limited (an indirect wholly-owned subsidiary of the Company) and Mr. Ng Kwai Tung (“Mr. Ng”), an individual and a third party independent of the Company, for the acquisition by the Company, inter alia, of the entire issued share capital of Trump Elegant Investment Limited (“Trump Elegant”), now an indirect wholly-owned subsidiary of the Company, for a consideration of HK\$8.3 million for which completion took place on 1 September 2008;
- b) the 12 assignments made between Trump Elegant and each of the property vendors (namely (i) Sheen Classic Limited (as vendor) and Million Mind Investment Limited (as confirmor); (ii) Friendly Bright Development Limited; (iii) Ip Wai Hung; (iv) Friendly Bright Development Limited; (v) Glory Talent International Limited; (vi) Wong Yok Tong; (vii) Cheuk Wing Chuen, Cheuk Wing Keung, Cheuk King Lin and Cheuk King Yiu; (viii) Friendly Bright Development Limited; (ix) Yu On Pong and Lam Yin Ying; (x) Chen Yueh Feng; (xi) Chan John Paul; and (xii) Lau Chart Sang, Lau Chart Chou, Jack Lowe and Susanna Yee Che Wong alias Wong Lau Yee Che Susanna) in relation to the completion of the purchase of the properties at Nos. 313, 313A, 313B & 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong (Section B of Kowloon Inland Lot No. 1685) for a total consideration of HK\$8.3 million. Two of the assignments were dated 21 July 2008, one assignment was dated 26 September 2008, eight assignments were dated 11 October 2008 and the remaining one assignment was dated 17 August 2009;
- c) the conditional undertaking letter dated 5 November 2008 (“2008 Undertaking”) executed by Landmark Profits Limited (“Landmark Profits”) in favour of Easyknit Enterprises (“EE”) and Get Nice Securities Limited in relation to the allotment and issue of 667,499,000 new shares of EE under an offer by way of rights to holders of shares in EE at HK\$0.15 per rights share in the proportion of ten EE rights shares for every share in EE held (“2008 EE Rights Issue”) pursuant to which Landmark Profits conditionally undertook, inter alia, that the shares in EE 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 (i.e. 24 December 2008) of the 2008 EE Rights Issue and that the EE rights shares to be provisionally allotted to Landmark Profits in respect of such shares in EE (representing 211,627,870 EE rights shares) would be taken up and paid for in full by Landmark Profits;
- d) the agreement dated 14 July 2009 entered into between Easyknit Properties Holdings Limited and Mr. Ng for the acquisition by the Company of, inter alia, the entire issued share capital of Kingbest Capital Holdings Limited (“Kingbest”), now an indirectly wholly-owned subsidiary of the Company for a consideration of HK\$2.44 million for which completion took place on 6 October 2009;
- e) the 6 assignments dated 20 October 2009 made between Kingbest and each of the property vendors (namely Chan John Paul, Chu Tim, Friendly Bright Development Limited, Au Cheung Kong, Operation Dawn Limited and Master Growth Investment Limited) in relation to the completion of the purchase of the units located at the Front Portion (No. 311B Prince Edward Road West) & the Rear Portion (No. 311D Prince Edward Road West) of the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) for a total consideration of HK\$63,850,000;
- f) the conditional undertaking letter dated 17 August 2009 (“2009 Undertaking”) executed by Landmark Profits in favour of EE and Kingston Securities Limited in relation to the allotment and issue of 293,699,560 new shares of EE under an offer by way of rights to holders of shares in EE at HK\$0.38 per rights share in the proportion of 4 EE rights shares for every share in EE held (“2009 EE Rights Issue”) pursuant to which Landmark Profits conditionally undertook, inter alia, that the shares in EE 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 (i.e. 13 October 2009) of the 2009 EE Rights Issue and that the EE rights shares to be provisionally allotted to Landmark Profits in respect of such shares in EE (representing 93,116,260 EE rights shares) would be taken up and paid for in full by Landmark Profits;
- g) the assignment dated 5 October 2009 made between Wellmake Investments Limited, an indirect wholly-owned subsidiary of the Company, as vendor and the Urban Renewal Authority as purchaser in relation to the sale of the ground floor shop together with open yard at the rear thereof and the exterior walls of the said shop and yard at No. 8 Yue Man Square, Kowloon, Hong Kong for a consideration of HK\$47,113,000;
- h) the agreement dated 14 October 2009 entered into between Easyknit Properties Holdings Limited and Ms. Lui Yuk Chu, an executive Director and Vice President of the Company for the acquisition by the Company of the entire issued share capital of Grow Well Profits Limited and interest free loans owed by Grow Well Profits Limited to Ms. Lui Yuk Chu for a consideration of HK\$123,120,000 for which completion took place on 22 December 2009;

- i) the agreement dated 14 October 2009 entered into between Easyknit Properties Holdings Limited and Ms. Lui Yuk Chu, an executive Director and Vice President of the Company for the acquisition by the Company of the entire issued share capital of Supertop Investment Limited for a consideration of HK\$104,350,000 for which completion took place on 22 December 2009;
- j) the agreement dated 3 December 2009 entered into between Quick Easy Limited (as the purchaser) and Easyknit Properties Holdings Limited (as the vendor) 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, all of which engage in garment trading businesses for a total consideration of HK\$80 million; and
- k) the agreement dated 24 February 2010 entered into between Mr. Ng, as the seller, and Easyknit Properties Holdings Limited, as the buyer, for the sale and purchase of the entire issued share capital of Chief Access Limited, which has entered into property purchase agreements with six property vendors (namely (i) Manor Limited; (ii) Siu Yip Investment Company Limited; (iii) Sheung Tak Tong Limited; (iv) Lau Kwong Wing and Cheng Lai Yin; (v) Wong Kam Fai; and (vi) Lee Kam Yiu and Cheung Yuen Man Constance) for the acquisition of a total of six units in the building situated on the remaining portion of Section A of Kowloon Inland Lot No. 2978 (No. 311A & 311C Prince Edward Road West, Kowloon, Hong Kong) for a total consideration of HK\$5,650,000.

Save as disclosed, none of the members of the Group has entered into any material contracts (not being contracts entered into in the ordinary course of business) two years prior to the commencement of the Offer Period and up to the Latest Practicable Date.

## 11. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters or reports (as the case may be) are contained in this Composite Offer Document:

Name	Qualification
Kingston Securities	a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
Kingston Corporate Finance	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Altus Investments	a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
Altus Capital	a corporation licensed to carry out Types 4, 6 and 9 (advising on securities, advising on corporate finance and asset management) regulated activities under the SFO

<b>Name</b>	<b>Qualification</b>
Access Capital	a corporation licensed to carry out Types 1, 4, 6 and 9 (dealing in securities, advising on securities, advising on corporate finance and asset management) regulated activities under the SFO
Vigers Appraisal and Consulting Limited	Independent professional valuer
Knight Frank Petty Limited	Independent professional valuer
DTZ Debenham Tie Leung (SEA) Pte Limited	Independent professional valuer
A. G. Wilkinson & Associates (Surveyors) Limited	Independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion of its letter report, valuation certificate and/or the references to its name in the form and context in which it appears.

## 12. 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 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 registered office of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is No. 7 Braga Circuit, Kowloon, Hong Kong;
- (e) The address of Magical Profits is P.O. Box 71, Craigmuir Chambers, Road Town, British Virgin Islands;
- (f) The address of Accumulated More Profits Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands;

- (g) The address of Ms. Lui Yuk Chu is No. 7 Braga Circuit, Kowloon, Hong Kong;
- (h) The address of Kingston Securities and Kingston Corporate Finance is 2801 One International Finance Centre, 1 Harbour View Street, Central, Hong Kong;
- (i) The address of Altus Investments and Altus Capital is at 8th Floor, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong;
- (j) The address of Access Capital is Suite 606, 6th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong;
- (k) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror and/or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Offer;
- (l) As at the Latest Practicable Date, there is no agreement or arrangement to which any of the Directors will be compensated for loss of office or otherwise in connection with the Offer;
- (m) As at the Latest Practicable Date, there is no agreement or arrangement or understanding (including any compensation arrangement) that exists between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders of the Company having any connection with or dependence upon the Offer;
- (n) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (o) As at the Latest Practicable Date, the Offeror and parties acting in concert with it had no agreement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons;
- (p) As at the Latest Practicable Date, there was no material contract to which the Offeror is a party in which any Director has a material personal interest other than in his/her capacity as sole shareholder and director of the Offeror;
- (q) As at the Latest Practicable Date, the Offeror has no intention to transfer, charge or pledge the Shares acquired in pursuance with the Offer to any other persons; and
- (r) The English text of this Composite Offer Document and the Forms of Acceptance shall prevail over the Chinese text in the case of inconsistency.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the 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 while the Offer remains open for acceptance::

- (a) the bye-laws of the Company and the memorandum and articles of association of the Offeror;
- (b) the letters of consent referred to in the paragraph headed "Experts and consents" above;
- (c) the audited financial statements of the Company for each of the three years ended 31 March 2009;
- (d) the material contracts referred to in the section headed "Material Contracts" of this appendix;
- (e) the letter from Kingston Securities and Altus Investments as set out on pages 5 to 12 of this Composite Offer Document;
- (f) the letter from the Board as set out on pages 13 to 17 of this Composite Offer Document;
- (g) the letter from Access Capital as set out on pages 20 to 33 of this Composite Offer Document;
- (h) the letters, summary of values and valuation certificates from the respective independent valuers, the text of which are set out in Appendix III to this Composite Offer Document;
- (i) the letter from the Independent Board Committee as set out on pages 18 to 19 of this Composite Offer Document; and
- (j) the letter from Kingston Securities confirming the provision of a loan facility to the Offeror for the sole purpose of financing the Offer.

Copies of these documents will be available for inspection on the Securities and Futures Commission's website at [www.sfc.hk](http://www.sfc.hk) and the Company's website at [www.easyknit.com](http://www.easyknit.com) while the Offer remains open for acceptance.