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



**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

**MAJOR TRANSACTION  
DISPOSAL OF EE SHARES BY WAY OF  
PLACING OF EXISTING EE SHARES  
HELD BY GOODCO**

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*\* for identification only*

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## DEFINITIONS

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*In this circular, unless the contents otherwise requires, the following expressions have the meanings as set out below.*

“Announcement”	the joint announcement dated 21 December 2011 issued by the Company and Easyknit Enterprises in relation to the Placing
“Board”	the board of Directors
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange and the majority shareholder of Easyknit Enterprises
“Completion Date”	4 January 2012, being the date which the Placing was completed
“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 main board of the Stock Exchange
“EE Share(s)”	shares at HK\$0.01 each in the share capital of Easyknit Enterprises
“Goodco”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	12 January 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Placee(s)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the placee(s) is/are independent institutional, corporate or individual investor(s) procured by the Placing Agent
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out type 1 regulated activity (dealing in securities) under the SFO
“Placing Agreement”	the placing agreement dated 21 December 2011 entered into between Goodco and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.27 per Placing Share
“Placing Share(s)”	47,000,000 EE Shares placed by the Placing Agent pursuant to the Placing Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holder(s) of the Company’s ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars

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LETTER FROM THE BOARD

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**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

*Executive Directors:*

Mr. Kwong Jimmy Cheung Tim  
*(President and Chief Executive Officer)*  
Mr. Lui Yuk Chu  
*(Vice President)*  
Ms. Koon Ho Yan, Candy

*Non-executive Director:*

Mr. Tse Wing Chiu, Ricky

*Independent Non-executive Directors:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

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

16 January 2012

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
DISPOSAL OF EE SHARES BY WAY OF  
PLACING OF EXISTING EE SHARES  
HELD BY GOODCO**

**1. INTRODUCTION**

Reference is made to the Announcement in which the Board announced that on 21 December 2011, the Placing Agreement was executed by Goodco and the Placing Agent, pursuant to which Goodco agreed to place, through the Placing Agent, 47,000,000 EE Shares to independent investors at a price of HK\$0.27 per Placing Share.

*\* for identification only*

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## LETTER FROM THE BOARD

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Upon completion of the Placing, the shareholding of the Company in Easyknit Enterprises will reduce from approximately 80.89% to approximately 72.36%. The Placing constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules in relation to the disposal of the EE Shares as the applicable percentage ratios of the transaction under the Placing exceed 25% but are less than 75%, and is therefore subject to the approval of Shareholders. The Company has obtained written approval from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.69% of the issued shares of the Company. No Shareholder is required to abstain from voting on the resolution approving the Placing.

Completion of Placing had taken place on 4 January 2012.

The purpose of this circular is to provide you with further information regarding the Placing Agreement in compliance with the requirements of the Listing Rules.

## 2. PLACING AGREEMENT

### 2.1 Information about the Placing

- Date: 21 December 2011
- Vendor: Goodco
- Number of Placing Shares: 47,000,000 EE Shares to be placed, representing approximately 8.53% of the issued share capital of Easyknit Enterprises as at the date of the Placing Agreement
- Underwriting: The Placing is fully underwritten by the Placing Agent
- Placing Price: HK\$0.27 per EE Share, which was agreed after arm's length negotiations and represents:
- (a) a discount of approximately 10% to the closing price of HK\$0.30 per EE Share quoted on the Stock Exchange on 21 December 2011, being the last trading day of the EE Shares before the date of the Announcement; and
  - (b) a discount of approximately 10% to the average closing price of HK\$0.30 per EE Share as quoted on the Stock Exchange for the last 5 trading days up to and including 21 December 2011, being the last trading day of the EE Shares before the date of the Announcement.

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## LETTER FROM THE BOARD

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- Placing Agent: Kingston Securities Limited
- Placees: The Placing Shares has been placed to no fewer than six Placees (which are individual, corporate, institutional investors or a combination of them).
- As far as the Company is aware and having made reasonable enquiries, the Placees and their respective owners are all:
- (a) independent of, and not connected with, or acting in concert with, the Company and parties acting in concert with it; and
  - (b) independent third parties not connected with Easyknit Enterprises or its subsidiaries or any of their respective associates, or any of the connected persons of Easyknit Enterprises or its subsidiaries or any of their respective associates.
- None of the Placees has become a substantial shareholder of Easyknit Enterprises as a result of the Placing.
- Rights: The Placing Shares are sold free of all liens, charges, encumbrances and together with all rights attaching thereto including the right to receive all dividends or other distribution declared, made or paid on the Placing Shares at any time on or after the completion of the Placing.
- Termination/Force Majeure: The Placing is conditional upon the approval of the Placing by the Shareholders. The Company had obtained written approval from Sea Rejoice Limited and Magical Profits Limited on 21 December 2011. The Placing Agent is entitled to terminate the Placing Agreement on the occurrence of certain events including a material breach of the representations, warranties and undertakings given by Goodco that is materially adverse to the success of the Placing, or a material adverse change in the financial or trading position of Easyknit Enterprises as a whole that is materially adverse to the success of the Placing or an event of force majeure.

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## LETTER FROM THE BOARD

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### 2.2 Costs and Expenses

In consideration of the services of the Placing Agent in relation to the Placing, the Placing Agent is entitled to receive an underwriting commission of 1.0% on the gross proceeds of the actual number of Placing Shares being placed. All the expenses in relation to the Placing shall be borne by Goodco. The proceeds of HK\$12,690,000 from the Placing has been fully settled in cash.

### 3. REASONS FOR THE PLACING AND RESTORATION OF PUBLIC FLOAT

Upon the close of the mandatory general offer made by the Company through Goodco on 11 November 2011, 105,236,004 EE Shares, representing approximately 19.11% of the issued share capital of Easyknit Enterprises, are held by the public. The public float of Easyknit Enterprises has been below 25% since the close of the offer on 11 November 2011. Accordingly, Easyknit Enterprises cannot fulfill the minimum public float requirement under Rule 8.08 of the Listing Rules.

Goodco and Easyknit Enterprises have undertaken to restore the public float of Easyknit Enterprises, which is a continued obligation under the Listing Rules. Therefore, the Placing is a must. A waiver from the strict compliance with the requirement of Rule 8.08(1)(a) of the Listing Rule for Easyknit Enterprises has been granted by the Stock Exchange until 9 January 2012. The Directors and Easyknit Enterprises directors have considered various ways of restoring the public float of Easyknit Enterprises (including the placing of new EE Shares as well as the placing of existing EE Shares by the Company) and consider that the Placing represents an opportunity to broaden the shareholder base of Easyknit Enterprises.

On the Completion Date, the public float of Easyknit Enterprises has been restored to approximately 27.64% of the issued share capital of Easyknit Enterprises in compliance with the public float requirement. The proceeds of HK\$12,690,000 net of all relevant expenses incurred due to the Placing will be used by the Group as working capital.

The Directors considered the terms of the Placing Agreement to be fair and reasonable and in the interests of the Company, Easyknit Enterprises and their respective shareholders as a whole. Accordingly, the Directors recommended the Shareholders to vote in favour of the resolution approving the Placing if a physical special general meeting were to be convened.



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## LETTER FROM THE BOARD

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#### 4. EFFECTS ON SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES

The shareholdings in Easyknit Enterprises (i) immediately before the Completion Date; and (ii) immediately after the Completion Date are as follows:

	Immediately before the Completion Date		Immediately after the Completion Date	
	EE Shares	Approximate %	EE Shares	Approximate %
The Company and parties acting in concert with it	445,450,671	80.89	398,450,671	72.36
Public shareholders	105,236,004	19.11	152,236,004	27.64
Total	550,686,675	100.00	550,686,675	100.00

Easyknit Enterprises continues to be a subsidiary of the Company after the Completion Date.

The beneficial interest of the Company and parties acting in concert with it in the issued share capital of Easyknit Enterprises has reduced from approximately 80.89% to approximately 72.36% immediately following the completion of the Placing.

#### 5. EFFECTS OF THE MAJOR TRANSACTION

As disclosed in the interim report of Easyknit Enterprises for the six months ended 30 September 2011, the unaudited consolidated net asset value of Easyknit Enterprises was approximately HK\$605,994,000.

As disclosed in the annual report of Easyknit Enterprises for the year ended 31 March 2011, set out below is the audited profit/(loss) before and after tax of Easyknit Enterprises for the two financial years ended 31 March 2010 and 2011:

	For the year ended 31 March	
	2011 HK\$	2010 HK\$
Profit/(loss) before tax	69,999,000	(16,837,000)
Profit/(loss) after tax	65,060,000	(18,058,000)

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## LETTER FROM THE BOARD

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Upon completion of the Placing, the shareholding in Easyknit Enterprises held by the Company reduced from approximately 80.89% to approximately 72.36%. Easyknit Enterprises continues to be a subsidiary of the Company. It is estimated that upon completion of the Placing, the Group will record a realized loss (before expenses) of HK\$1,410,000. The loss is calculated on the basis of the difference between Placing Price per Placing Share and the offer price per EE Share in the mandatory general offer made by the Company through Goodco. The transaction will have no material effect on the Company's assets and liabilities.

### 6. WRITTEN SHAREHOLDERS' APPROVAL

The Placing constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules as the applicable percentage ratios of the transaction under the Placing exceed 25% but are less than 75%, and is therefore subject to the approval of Shareholders.

As the Company has obtained written approval from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.69% of the issued shares of the Company, therefore under Rule 14.44 of the Listing Rules, no general meeting of the Shareholders will be held to consider and approve the transaction under the Placing Agreement. Sea Rejoice Limited, which holds 17,429,664 shares, representing approximately 21.95% of the issued shares of the Company, is wholly-owned by Ms. Lui Yuk Chu, the vice president and an executive director of the Company and Easyknit Enterprises. Magical Profits Limited, which holds 29,179,480 shares, representing approximately 36.74% of the issued shares of the Company 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 (including Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive director of the Company and Easyknit Enterprises) other than the spouse of Ms. Lui Yuk Chu). Sea Rejoice Limited and Magical Profits Limited are therefore a "closely allied group of shareholders" for the purpose of the Listing Rules.

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## LETTER FROM THE BOARD

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### 7. INFORMATION ON THE COMPANY, GOODCO AND EASYKNIT ENTERPRISES

The Company is principally engaged in the business of property investments and development, investment in securities, loan financing, garment sourcing and exporting.

Goodco is an investment holding company.

Easyknit Enterprises is principally engaged in garment sourcing and exporting and property investments.

### 8. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix III to this circular.

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

**1. FINANCIAL SUMMARY OF THE GROUP**

The financial information of the Group for (i) the year ended 31 March 2011 is disclosed in the annual report of the Company for the year ended 31 March 2011 from pages 29 to 98; (ii) the year ended 31 March 2010 is disclosed in the annual report of the Company for the year ended 31 March 2010 from pages 29 to 100; and (iii) the year ended 31 March 2009 is disclosed in the annual report of the Company for the year ended 31 March 2009 from pages 28 to 89. The said annual reports of the Company are available on the Company's website at [www.easyknit.com](http://www.easyknit.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

**2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP**

Set out and reproduced below are the "Management discussion and analysis" sections contained in the Company's annual reports for the three years ended 31 March 2011. Capitalised terms used herein are confined to this section of this circular.

The financial information of the Group produced herein refers to the Group prior to the completion of the unconditional mandatory offer made by the Company on Easyknit Enterprises, which has since become a subsidiary in the Group on 25 October 2011. Therefore, Easyknit Enterprises is presented as an associate in this section.

**(i) For the year ended 31 March 2009****FINANCIAL RESULTS**

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

Loss attributable to shareholders was approximately HK\$101,384,000 as compared to profit attributable to shareholders of approximately HK\$64,336,000 last year. Such loss was mainly attributable to (i) a decrease in sales of the garment sourcing and exporting business due to the slowdown in the economy of the United States, the major market of the Group; (ii) the loss arising on changes in fair value of investment properties of approximately

HK\$21,760,000 and the impairment loss on property held for development of approximately HK\$25,632,000; (iii) the loss due to the fair value changes of investments held for trading of approximately HK\$60,408,000; and (iv) the increase in share of loss of associates. Basic loss per share was approximately HK\$0.128 (2008 basic earnings per share of approximately HK\$0.081).

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

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

## **BUSINESS REVIEW**

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

### **Garment sourcing and exporting**

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

### **Property investment and development**

For the year ended 31 March 2009, the property investment and development segments contributed approximately HK\$30,640,000 or 6.7% (2008: approximately HK\$33,533,000 or 6.4%) to the Group's total turnover. These segments suffered a loss of approximately HK\$20,792,000 (2008: profit of approximately HK\$79,575,000) principally due to loss arising on changes

in fair value of investment properties of approximately HK\$21,760,000 (2008: gain of approximately HK\$52,928,000) and impairment loss made on properties held for development of approximately HK\$25,632,000 (2008: nil). Rental income from investment properties, which are all located in Hong Kong, increased slightly to approximately HK\$28,166,000 (2008: approximately HK\$27,164,000). As at 31 March 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 89.6%. The building management fee income was approximately HK\$286,000 (2008: approximately HK\$289,000).

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

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

#### **Geographical analysis of turnover**

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

#### **PROSPECTS**

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

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

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

### **Property investment and development**

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

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

### **LIQUIDITY AND FINANCIAL RESOURCES**

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

The Group continued to sustain a good liquidity position. As at 31 March 2009, the Group had net current assets of approximately HK\$572,613,000 (31 March 2008: approximately HK\$733,010,000), and cash and cash equivalents of approximately HK\$165,147,000 (31 March 2008: approximately HK\$281,315,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars. As at 31 March 2009, the current

ratio of the Group was approximately 9.9 (31 March 2008: approximately 11.8), which was calculated on the basis of current assets of approximately HK\$636,645,000 (31 March 2008: approximately HK\$801,036,000) to current liabilities of approximately HK\$64,032,000 (31 March 2008: approximately HK\$68,026,000). During the year under review, the Group serviced its debts through internally generated resources.

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

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

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

### **CAPITAL STRUCTURE**

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

### **MATERIAL ACQUISITIONS AND DISPOSALS**

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

As announced by the Company and Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), an associate of the Company, on 12 November 2008, Easyknit Enterprises proposed to raise approximately HK\$100 million before expenses by way of rights issue of 667,499,000 rights shares at a price



of HK\$0.15 per rights share on the basis of ten rights shares for every share held. The Group had irrevocably undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among other, the rights shares allotted to the Group would be taken up in full. The subscription cost amounted to approximately HK\$31.7 million based on the Group's then shareholding in Easyknit Enterprises. The Group did not apply for any excess rights shares. The said undertaking to subscribe for the rights shares in Easyknit Enterprises was approved by the shareholders of the Company at the special general meeting held on 24 December 2008. Thus 211,627,870 rights shares of Easyknit Enterprises were allotted to the Group on 19 January 2009.

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

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

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

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

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

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

#### **CONTINGENT LIABILITIES**

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

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

**SIGNIFICANT INVESTMENT**

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

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

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

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

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

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

**FUTURE PLAN FOR MATERIAL INVESTMENTS**

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

**SUBSEQUENT EVENTS**

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

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

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

The Company also announced on 17 July 2009 that Easyknit Properties, a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement dated 14 July 2009 to acquire the entire issued share capital of Kingbest Capital Holdings Limited ("Kingbest") for a total consideration of HK\$2,440,000 in cash upon completion. Under the agreement, Easyknit Properties had also agreed to advance a loan to Kingbest up to an aggregate amount of HK\$7,410,000. The loan is personally guaranteed by the seller, Mr. Ng Kwai Tung. The acquisition of Kingbest will enable the Group to acquire all of the units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2928 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong). The building is adjacent to the Prince Edward

Road Building which the Group had acquired from the same seller Mr. Ng Kwai Tung in June 2008. The directors intend that both buildings will be redeveloped together. This acquisition when aggregated with the acquisition of Prince Edward Road Building constitute a very substantial acquisition under the Listing Rules, a special general meeting of the Company will be convened in due course to seek the shareholders' approval.

#### **EMPLOYMENT AND REMUNERATION POLICY**

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

#### **(ii) For the year ended 31 March 2010**

#### **FINANCIAL RESULTS**

For the year ended 31 March 2010, the Group recorded a turnover of approximately HK\$412,652,000, representing a decrease of approximately 9.9% as compared to approximately HK\$458,068,000 for the year ended 31 March 2009. Gross profit slightly decreased to approximately HK\$76,764,000 from approximately HK\$84,156,000 of last year. Gross profit margin increased from 18.4% to 18.6%.

Profit attributable to shareholders was approximately HK\$187,358,000 as compared to loss attributable to shareholders of approximately HK\$101,384,000 last year. Such profit was largely attributable to (i) gain arising on changes in fair value of the Group's investment properties as a result of the improvement in the property market, which were approximately HK\$87,380,000 (2009: loss of approximately HK\$21,760,000); (ii) gain arising on disposal of subsidiaries relating to the Group's garment sourcing and exporting business, which were approximately HK\$37,374,000 (2009: nil); (iii) increases in fair value of investments held for trading as a result of changes in market sentiment since 31 March 2009, which were approximately

HK\$22,065,000 (2009: loss of approximately HK\$60,408,000); (iv) gain arising on disposal of available-for-sale investments, which amounted to approximately HK\$5,459,000 (2009: gain of approximately HK\$3,803,000); and (v) reversal of impairment loss on properties held for development of approximately HK\$25,632,000 (2009: impairment loss of approximately HK\$25,632,000). Basic earnings per share was approximately HK\$2.36 (2009: basic loss per share was approximately HK\$1.28).

Cost of sales decreased by approximately 10.2% to approximately HK\$335,888,000, from approximately HK\$373,912,000 of last year. The total operating expenses decreased by approximately 9.5% to approximately HK\$53,460,000 (2009: approximately HK\$59,093,000).

No finance cost was incurred for the year ended 31 March 2010 (2009: approximately HK\$91,000), as there was no bank borrowing during the year under review.

### **BUSINESS REVIEW**

The financial year ended on 31 March 2010 is a year of change to the Group. Backed by the recovery of economy and the low mortgage rate, property investment and development transactions were turning active during the past year. Therefore, the Group has disposed of garment sourcing and exporting business and repositioned as a property investment and development company in order to facilitate efficient use of resources and manpower. During the year, the Group has finished a number of important property acquisitions to increase its property portfolio. Moving forward, the Group is optimistic about the outlook of its property investment and development business, and will continue to look for property investment and development opportunities with high potential returns.

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

As announced by the Company on 8 December 2009, the Group disposed of its garment sourcing and exporting business to its associate company, Easyknit Enterprises Holdings Limited (SEHK Code: 616), for an aggregate consideration of HK\$80,000,000 (the “Transaction”). As a result of the Transaction, the Group realised a gain of approximately HK\$37,374,000, which was calculated based on the net proceeds of the Transaction of approximately HK\$77,439,000, after taking into account the direct expenses of approximately

HK\$2,561,000. Upon the completion of the Transaction, the Group will only have its garment distribution business in the United States of America (the “US”). This part of garment business is not included as part of the Transaction as it has been making losses since the commencement of business in 2001.

During the year under review, the turnover for the Group’s business in garment sourcing and exporting decreased 10.5% to approximately HK\$382,685,000 (2009: approximately HK\$427,428,000). It constituted an approximately 92.7% of the Group’s total turnover (2009: approximately 93.3%). Profit gained from this segment was approximately HK\$47,773,000 (2009: approximately HK\$11,788,000).

### **Property investment and development**

For the year ended 31 March 2010, the property investment and development segments contributed approximately HK\$29,967,000 (2009: approximately HK\$30,640,000) to the Group’s total turnover. A gain of approximately HK\$141,649,000 of these segments were recorded (2009: loss of approximately HK\$20,792,000) due to the gain arising on changes in fair value of investment properties of approximately HK\$87,380,000. Rental income from properties increased approximately 5.3% to approximately HK\$29,668,000 (2009: approximately HK\$28,166,000). As at 31 March 2010, the Group’s commercial rental properties were 100% leased. Its industrial and residential rental properties continued to maintain a high occupancy rate of approximately 85% and 95% respectively. The building management fee income was approximately HK\$299,000 (2009: approximately HK\$286,000).

Through acquisitions, the Group owns all of the units or 100% of the undivided shares in the building situated on the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A and 311C Prince Edward Road West, Kowloon, Hong Kong). The building is adjacent to the buildings situated on Section B of Kowloon Inland Lot No.1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) and on sub-Section 1 of Section A of Kowloon Inland Lot No.2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) (collectively “Prince Edward Road Building”) which acquired by the Group in October 2008 and October 2009 respectively. The Group intends to redevelop the sites together.

In order to expand its property portfolio, the Group acquired during the year three investment properties in Singapore and seven investment properties in Hong Kong at an aggregate consideration of HK\$227,667,000, including the direct expenses of approximately HK\$1,416,000, from Ms. Lui Yuk Chu, the Vice President and an executive director of the Company.

During the year, the Group disposed of the G/F shop together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kowloon to the Urban Renewal Authority at the price of HK\$47,113,000 plus an allowance of HK\$4,711,000.

#### **Geographical analysis of turnover**

During the year under review, the US continued to be the major market for the garment sourcing and exporting business and contributed approximately 87.0% to the Group's total turnover (2009: approximately 83.0%). Besides the US, Hong Kong and Europe contributed 7.0% and 6.0% respectively to the Group's total turnover.

#### **PROSPECTS**

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

At present, the directors do not have any concrete plans to the remaining garment distribution business in the US.

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

The property investment market in Hong Kong revives quickly after the global economic tsunami. Grasping the business opportunities brought by the increase in demand of property market, the Group completed a number of important acquisitions during the year. These acquisitions together with the existing investment properties held provide a steady and stable rental income for the future of the Group.

As for property development, the Group has acquired all the units of Prince Edward Road Building. The acquisitions will enable the Group to expand its property investment portfolio, and provide the Group with further potential income from property development. On top of that, the pre-sale of the re-development of No. 1 Victory Avenue in Homantin will likely be launched by the end of this year and it is expected that the re-development will be completed by October 2011, which can bring further income to the Group.

The directors are optimistic about the future of Hong Kong and Singapore property market. The directors believe that properties in these regions remain attractive to investors. The Group will continue to look for properties with good potential for investment and development, and create more returns for the Company's shareholders.

#### **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2010, the Group financed its operations mainly by internally generated resources. As the Group had no bank borrowings as at 31 March 2010 (2009: nil), no gearing ratio of the Group was presented.

The Group continued to sustain a good liquidity position. As at 31 March 2010, the Group had net current assets of approximately HK\$600,445,000 (31 March 2009: approximately HK\$572,613,000) and cash and cash equivalents of approximately HK\$116,555,000 (31 March 2009: approximately HK\$165,147,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 31 March 2010, the current ratio of the Group was approximately 12.0 (31 March 2009: approximately 9.9), which was calculated on the basis of current assets of approximately HK\$655,185,000 (2009: approximately HK\$636,645,000) to current liabilities of approximately HK\$54,740,000 (31 March 2009: approximately HK\$64,032,000). During the year under review, the Group serviced its debts primarily through internally generated resources.

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

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

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



**CAPITAL STRUCTURE**

At the special general meeting of the Company held on 17 February 2010, the shareholders approved the share consolidation of every ten issued and unissued shares of the Company of HK\$0.01 each into one consolidated share of HK\$0.10 each. The share consolidation became effective on 18 February 2010. Details of the share consolidation were set out in the Company's circular dated 29 January 2010.

Save as disclosed above, the Group has no debt securities or other capital instruments as at 31 March 2010 and up to the date of this report.

**MATERIAL ACQUISITIONS AND DISPOSALS**

The Group had entered into the following material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2010.

As announced by the Company and Easyknit Enterprises Holdings Limited, an associate of the Company, on 25 August 2009, Easyknit Enterprises Holdings Limited proposed to raise approximately HK\$111.6 million before expenses by way of rights issue of 293,699,560 rights shares at a subscription price of HK\$0.38 per rights share on the basis of four rights shares for every share held (the "Rights Issue"). The Company, through Landmark Profits Limited, a wholly owned subsidiary of the Company, had undertaken to Easyknit Enterprises Holdings Limited and the underwriter of the Rights Issue that, among others, the rights shares (representing 93,116,260 rights shares) to be allotted would be taken up in full. The subscription cost amounted to approximately HK\$35.4 million. Landmark Profits Limited did not apply for any excess rights shares. The rights shares were allotted to Landmark Profits Limited on 3 November 2009. Details of the Rights Issue were set out in the Company's announcement dated 25 August 2009.

As announced by the Company on 17 July 2009, the Group acquired the entire issued share capital of Kingbest Capital Holdings Limited ("Kingbest") for a consideration of HK\$2,440,000. The Group also agreed to advance an interest free loan to Kingbest up to an aggregate amount not exceeding HK\$7,410,000. Through the acquisition of Kingbest, the Group acquired the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) (the "Building").

The aggregation consideration for the acquisition of Kingbest and the Building amounted to HK\$66.29 million. The Building is adjacent to the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong) which the Group already acquired. The acquisition was approved by the Company's shareholders at the special general meeting held on 3 September 2009. Details of the transaction were set out in the Company's circular dated 7 August 2009.

As announced by the Company on 16 October 2009, the Group acquired the entire issued share capital of Grow Well Profits Limited ("Grow Well") and Supertop Investment Limited ("Supertop") at an aggregate consideration of HK\$227,667,000, including the direct expenses of approximately HK\$1,416,000, from Ms. Lui Yuk Chu, the Vice President and an executive director of the Company. Through the acquisitions of Grow Well and Supertop, the Group acquired three properties in Singapore and seven properties in Hong Kong respectively. The acquisitions were approved by shareholders of the Company at the special general meeting held on 21 December 2009. Details of the transaction were set out in the Company's circular dated 4 December 2009.

As announced by the Company on 8 December 2009, the Group disposed its wholly-owned garment sourcing and exporting companies, namely Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited, for total consideration of HK\$80 million. The disposal was approved by the shareholders of the Company at a special general meeting held on 17 February 2010. The completion of the disposal was on 1 March 2010. Details of the transaction were set out in the Company's circular dated 29 January 2010.

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

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

The Group did not have any charges on assets as at 31 March 2010 (31 March 2009: certain investment properties of the Group with carrying amounts of approximately HK\$48,900,000 were pledged to banks to secure the bank borrowings granted to the Group).

**CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS**

During the year ended 31 March 2010, the Group spent approximately HK\$48,000 (2009: approximately HK\$147,000) on acquisition of property, plant and equipment.

As at 31 March 2010, the Group has no capital commitments.

**CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2010 (31 March 2009: the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$9,683,000 were supported by the Company's corporate guarantees given to the bank).

**SIGNIFICANT INVESTMENT**

As at 31 March 2010, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$72,232,000 (31 March 2009: approximately HK\$33,891,000) and investments held for trading of approximately HK\$69,942,000 (31 March 2009: approximately HK\$93,420,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the year under review, the Group recorded gain on fair value changes of investments held for trading of approximately HK\$22,065,000 (2009: loss of approximately HK\$60,408,000), gain on disposal of available-for-sale investments of approximately HK\$5,459,000 (2009: gain of approximately HK\$3,803,000) and no impairment loss on available-for-sale investment (2009: loss of approximately HK\$32,162,000).

The Group disposed on the Stock Exchange 11,100,000 shares, 4,250,000 shares and 14,530,000 shares of Sino Union Energy Investment Group Limited, formerly known as Sino Union Petroleum & Chemical International Limited, on 16 June 2009, 22 June 2009 and 23 June 2009 respectively at the aggregate gross proceeds of HK\$26,094,900 (exclusive of transaction costs).

On 29 July 2009, the Group disposed on the Stock Exchange 734,000 shares of China Life Insurance Company Limited at the aggregate gross proceeds of HK\$25,604,200 (exclusive of transaction costs).

As announced by the Company on 25 August 2009, the Group undertook to subscribe 93,116,260 shares of the rights share of Easyknit Enterprises Holdings Limited at a total consideration of approximately HK\$35.4 million. The shares were allotted to the Group on 3 November 2009. Please refer to the section of “MATERIAL ACQUISITIONS AND DISPOSALS” for details.

On 26 November 2009, the Group acquired on the Stock Exchange 915,000 shares of China Minsheng Banking Corp., Ltd. at a total consideration of approximately HK\$8,308,200 (exclusive of transaction costs), which was subsequently disposed on the Stock Exchange.

Save as disclosed above, the Group did not have any significant investment held or any significant investment plans as at 31 March 2010.

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

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

#### **SUBSEQUENT EVENTS**

As announced by the Company on 24 February 2010, the Group entered into a sale and purchase agreement with an outside individual, who is also the seller of Trump Elegant Investment Limited and Kingbest, to acquire the entire issued share capital of Chief Access Limited (“Chief Access”) for a consideration of HK\$5,650,000. The Group also agreed to repay the shareholder’s loan owned by Chief Access to the seller, which shall not exceed HK\$9,535,000. Chief Access is a limited liability company incorporated in the British Virgin Islands and is the purchaser under various property purchase agreements. The acquisition of Chief Access will enable the Group to acquire all units in the building situated on the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A and 311C Prince Edward Road West, Kowloon, Hong Kong). The aggregate consideration to complete this transaction is HK\$101 million. This building is adjacent to the Prince Edward Road Building as mentioned in the section of “MATERIAL ACQUISITIONS AND DISPOSALS” above.

In addition, the seller granted to the Group an option to require the seller to purchase from the Group the entire issued share capital of Chief Access if completion of any units does not take place or if in the sole opinion of the Group, the title of the units is defective, or vacant possession of the units is not obtained on the specified dates, at a consideration equivalent to the aggregate of (i) HK\$5,650,000; (ii) the sum paid by Chief Access to the seller in full and discharge of the shareholder's loan; and (iii) the total sum paid by Chief Access and the Group. The option may be exercised by the Group by notice in writing to the seller any time on or before 10 July 2010. This proposed acquisition was approved by the shareholders of the Company at a special general meeting held on 12 April 2010. The acquisition of the entire issued share capital of Chief Access was completed on 19 April 2010 and the completion of all property purchase agreements was on or before 10 May 2010.

#### **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 March 2010, the number of employees of the Group in Hong Kong and the US was about 13 and 7 respectively. Staff costs (including directors' emoluments) amounted to approximately HK\$25,018,000 for the year under review (2009: approximately HK\$27,910,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

#### **(iii) For the year ended 31 March 2011**

#### **FINANCIAL RESULTS**

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK\$39,986,000 from its continuing operations, representing an increase of approximately 13.3% as compared to approximately HK\$35,289,000 of last year. The increase in turnover was mainly attributable to the rental income derived from the Hong Kong properties and the Singapore properties. Gross profit increased approximately 11.5% to HK\$37,922,000 from approximately HK\$34,012,000 of last year. Cost of sales increased by 61.6% to approximately HK\$2,064,000 from HK\$1,277,000 of last year for continuing operations. The total operating expenses increased by 39.6% to approximately HK\$22,986,000 from approximately HK\$16,463,000 of last year.

To facilitate the business restructuring, the Group first disposed its garment sourcing and exporting business to a subsidiary of Easyknit Enterprises Holdings Limited (“Easyknit Enterprises”, an associate company of the Company) in March 2010; and finally in September 2010, the Group completed the full disposal of its garment business by ceasing the remaining garment distribution business in USA.

For the year under review, the discontinued garment sourcing and exporting business contributed approximately HK\$2,138,000 to the turnover of the Group (2010: approximately HK\$382,685,000). As a result of the dropped of the garment sourcing and exporting business in March 2010, the cost of sales dropped down significantly to approximately HK\$1,001,000 (2010: approximately HK\$335,888,000). The gross profit decreased to approximately HK\$1,137,000 from approximately HK\$46,797,000 of last year. Due to the aforesaid disposal of the garment sourcing and exporting business, the operating expenses also reduced to approximately HK\$1,540,000 (2010: approximately HK\$35,718,000). Profit for the year was approximately HK\$226,000 (2010: HK\$48,989,000).

Profit attributable to shareholders surged approximately 107.8% to HK\$389,311,000 from HK\$187,358,000 last year. Such profit was largely attributable to (i) gain on the disposal of available-for-sale investment arising from the favourable performance of the Hong Kong security market, which was approximately HK\$23,936,000 (2010: gain of approximately HK\$5,459,000); (ii) gain arising from changes in the fair value of the Group’s investment properties as a result of the booming property market, which were approximately HK\$370,881,000 (2010: gain of approximately HK\$87,380,000) and (iii) gain in share of results of associates of approximately HK\$21,451,000 (2010: loss of approximately HK\$5,655,000). Basic earnings per share from continuing and discontinued operations increased more than double to approximately HK\$4.90 (2010: basic earnings per share were approximately HK\$2.36).

No finance cost was incurred (2010: nil) and there was no bank borrowing during the year under review.

**BUSINESS REVIEW**

The financial year ended 31 March 2011 was a remarkable year for the Group. Not only did the Group successfully reposition into a property investment and development company, the soaring Hong Kong property market also reassured the Group's new business direction. The board of directors resolved to cease the remaining garment distribution business in USA to prevent further loss during the year. Moving forward, the Group holds a positive view towards the outlook of its property investment and development business.

**Garment sourcing, exporting and distribution**

The Group had disposed all of its garment sourcing, exporting and distribution business completely in September 2010 to better utilize the capital and human resources of the Group.

**Property investment and development**

During the year, the Group has put much focus on enriching the property investment portfolio and successfully transformed into a property development and investment company.

Regarding property project, the presale of initial 24 units of the re-development of No. 1 & 1A, 3 & 3A Victory Avenue in Homantin (namely "One Victory") was commenced on 21 August 2010. Three shops, with total gross floor area of 5,181 square feet are located on the ground and first floor of the building, designated for investment purpose. 8 units have been sold up to the date hereof, recording an average selling price of approximately HK\$10,196 per square feet. The remaining 55 units are expected to be gradually sold to buyers. One Victory is expected to be completed by August 2011 and deliver income for the Group.

As for property development, the Group has acquired all the units or 100% of the undivided shares in the buildings situated at Nos. 313, 313A, 313B and 313C Prince Edward Road West (Section B of Kowloon Inland Lot No. 1685), Nos. 311B and 311D Prince Edward Road West (Sub-Section 1 of Section A of Kowloon Inland Lot No. 2978) and Nos. 311A and 311C Prince Edward Road West (remaining portion of Section A of Kowloon Inland Lot No. 2978). The acquisitions expanded the Group's property development portfolio and the Group intends to redevelop the sites together.

On 21 September 2010, the Company's wholly-owned subsidiary entered into the binding provisional sale and purchase agreement with an independent third party for the disposal of the residential property being House No. 11 and the garden appurtenant thereto and car parking space nos. 11A & 11B Las Pinadas, No. 33 Shouson Hill Road, Hong Kong at a consideration of HK\$88,500,000 (the "Disposal"), the completion was taken in January 2011. The Disposal constituted a major transaction of the Company under the Listing Rules. The Company had received written irrevocable approval of the Disposal from a closely allied group of shareholders of the Company, namely Sea Rejoice Limited and Magical Profits Limited, in accordance with the provisions of the Listing Rules. Accordingly, no general meeting of shareholders of the Company was required to approve the Disposal. Details of the Disposal were set out in the Company's circular dated 18 October 2010.

As at 31 March 2011, the Group's commercial and residential rental properties were approximately 100% and 80% leased respectively. Its industrial rental properties continued to maintained a high occupancy rate of approximately 90%. The building management fee income was approximately HK\$314,000 (2010: approximately HK\$299,000).

### **PROSPECTS**

The Hong Kong property market in 2010 experienced a huge recovery since the financial tsunami. Both sales volume and property prices went up during the year. The sky-high land prices reflected from the numerous land auctions also reassured property developer's confidence in the Hong Kong property market. The rebound showed that Hong Kong remains as one of the most attractive markets for property investments. The Group believes that the property development market will be optimistic in the coming year.

Currently, the Group holds various commercial, industrial and residential properties in Hong Kong. For property development, the Group plans to actively acquire properties with good potentials, so as to further expand the property investment portfolio, and provide the Group with solid income from this area. Under the current trend of booming property market in Hong Kong, the Group has great confidence in the potential appreciation of the acquired properties.



The board of directors believes that with the unique economic system in Hong Kong, its property market will remain attractive to global investors, especially those from China as its economy continues to grow. The favourable economy coupling with the strong demand from investors in China, the property market is expected to stay robust. For the year 2011 and ahead, the Group will continue to look for property investment and development opportunities with high development and appreciation potentials in order to create income for our shareholders.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2011, the Group financed its operations mainly by internally generated resources. As the Group had no bank borrowings as at 31 March 2011 (2010: nil), no gearing ratio of the Group was presented.

The Group continued to maintain a favourable liquidity position. As at 31 March 2011, the Group had net current assets of approximately HK\$682,664,000 (2010: approximately HK\$600,445,000) and bank balances and cash of approximately HK\$73,851,000 (2010: approximately HK\$116,555,000). At 31 March 2011, the current ratio of the Group was approximately 10.2 (2010: approximately 12.0), which was calculated on the basis of current assets of approximately HK\$756,595,000 (2010: HK\$655,185,000) to current liabilities of approximately HK\$73,931,000 (2010: approximately HK\$54,740,000). During the year under review, the Group serviced its debts primarily through internally generated resources.

### **CAPITAL STRUCTURE**

The Group has no debt securities or other capital instruments as at 31 March 2011.

### **MATERIAL ACQUISITIONS AND DISPOSALS**

As announced by the Company and Easyknit Enterprises on 5 January 2011, Easyknit Enterprises proposed to raise approximately HK\$64,200,000 before expenses by way of a rights issue of 183,562,225 rights shares (the “Rights Issue”) at a subscription price of HK\$0.35 per Rights Share. The Company, through Landmark Profits Limited, a wholly owned subsidiary of the Company, had undertaken to Easyknit Enterprises and the underwriter of the Rights Issue

that, among others, a total of 58,197,662 rights shares were allotted and taken up in full. The subscription cost amounted to approximately HK\$20,400,000. Landmark Profits Limited did not apply for any excess rights shares. Details of the Rights Issue were set out in the Company's announcement dated 5 January 2011.

#### **PLEDGE OF ASSETS**

As at 31 March 2011, the Group has pledged the investment properties of HK\$655,000,000 to a bank to secure credit facilities.

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

During the year ended 31 March 2011, the Group spent approximately HK\$16,000 (2010: approximately HK\$48,000) on acquisition of property, plant and equipment.

As at 31 March 2011, the Group has no capital commitments.

#### **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2011 (2010: nil).

#### **SIGNIFICANT INVESTMENT**

As at 31 March 2011, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised of available-for-sale investment of approximately HK\$46,293,000 (2010: approximately: HK\$72,232,000) and investment held for trading of approximately HK\$96,948,000 (2010: approximately HK\$69,942,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the year under review, the Group recorded gain on disposal of available-for-sale investments of approximately HK\$23,936,000 (2010: gain approximately of HK\$5,459,000).

On 15 October 2010, the Group acquired on the Stock Exchange 100,000 shares of the Hongkong and Shanghai Banking Corporation Limited at a totally consideration of approximately HK\$8,300,000 (exclusive of transaction costs) which was satisfied in cash from internal resources of the Company.

On 23 November and 24 November 2010, the Company has, through its wholly-owned subsidiary, disposed of 100,000 and 120,000 shares of The Stock Exchange of Hong Kong Limited respectively on the market at aggregate gross sale proceeds of HK\$39,123,000.

During the period from 28 October 2010 to 10 February 2011, the Company, through its wholly owned subsidiary, acquired an aggregate of 150,000 shares of The Stock Exchange of Hong Kong Limited on the market at an aggregate consideration of HK\$25,540,000 (excluding transaction costs).

As announced on 5 January 2011, the Group undertook to subscribe 58,197,662 shares of the rights share of Easyknit Enterprises Holdings Limited at a total consideration of approximately HK\$20,400,000. Please refer to the section of “Material Acquisitions and Disposals” for more details.

Save as disclosed above, the Group did not have any significant investment held or any significant investment plans as at 31 March 2011.

#### **SUBSEQUENT EVENT**

As announced by the Company on 29 April 2011, its wholly owned subsidiary Hansford International Investment Limited (“Hansford”) has entered into agreements with independent third parties, to acquire the Ground Floor, the First Floor and the Second Floor of Block A, the Ground Floor, the First Floor and the Second Floor of Block B, the Ground Floor and the First Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong (the “Properties”) at a total consideration of HK\$131,300,000. The Properties comprise 8 out of 12 units in a building situated at Nos. 301, 301A-C Prince Edward Road West, Hong Kong with a total saleable area of approximately 7,764 square feet. The acquisitions are scheduled to be completed on or before 30 September 2011.

#### **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 March 2011, the number of employees of the Group in Hong Kong and the US was about 14. Staff costs (including directors’ emoluments) amounted to approximately HK\$10,524,000 for the year under review (2010: approximately HK\$25,018,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set out the Mandatory Provident Fund Scheme for the Hong Kong’s employees and made contribution to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

### 3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Placing and the present available financial resources and banking facilities of the Group, the Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular in the absence of unforeseen circumstances.

### 4. INDEBTEDNESS

At the close of business on 30 November 2011, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$384,508,000, which were guaranteed by the Company and were secured by certain investment properties of the Group.

Apart from intra-group liabilities, the Group did not have at the close of business on 30 November 2011 any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

### 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the six months period ended 30 September 2011 (the “**Period**”), the Company and its subsidiaries (the “**Group**”) recorded a turnover of approximately HK\$20,069,000, representing a slight decrease of approximately HK\$152,000 or approximately 0.75% from approximately HK\$20,221,000 for the corresponding period in 2010.

Loss attributable to owners of the Company for the Period amounted to approximately HK\$205,163,000 (2010: profit of approximately HK\$253,878,000). The loss was mainly attributable to (i) loss of approximately HK\$35,510,000 on the fair value changes on the listed securities investments made by the Group which have declined in value in the midst of the recent downturn of the equity market in Hong Kong; (ii) loss of approximately HK\$44,289,000 on fair value changes of investment properties; (iii) impairment loss recognized of approximately HK\$125,582,000 in respect of interests in associates; and (iv) share of loss of associates of approximately HK\$6,860,000.

The basic loss per share for the Period was approximately HK\$2.58 (2010: basic earnings per share of approximately HK\$3.20).

### **BUSINESS REVIEW**

During the Period, the Group was principally engaged in the property investment, property development, investment in securities and loan financing.

#### **Property Investment**

Turnover of the Group's property rental for the Period was approximately HK\$18,232,000 (2010: approximately HK\$17,896,000), an increase of approximately HK\$336,000 or approximately 1.88% over the last corresponding period. The Group's existing investment properties comprise mainly residential, commercial and industrial properties. As at 30 September 2011, the Group's commercial and residential rental properties were approximately 100% and 78% leased respectively. Its industrial rental properties continued to maintain a high occupancy rate of approximately 90%. The building management fee income was approximately HK\$161,000 (2010: approximately HK\$159,000).

#### **Property Development**

The Group has properties situated at One Victory. Grand opening and cutting ribbon ceremony of One Victory was held in October 2011. Up to the date hereof, sale and purchase agreements have been entered to sell certain residential units; and a tenancy agreement was executed to lease one shop unit.

As at 30 September 2011, the Group also has properties situated at Prince Edward Road West in Hong Kong for development.

### **PROSPECTS**

The global economy remains full of uncertainties especially in some European countries and the United States due to the sovereign debt crisis, which generated concerns over the global economy and is likely to hit some Asian markets with a slowdown in economic growth.

However, the Group remains optimistic about the global recovery in the long run and has confidence in the growth momentum in the PRC and Hong Kong. Yet with calibrated macroeconomic policies in place, economy of the PRC, with GDP growth recorded at 9.6% for the first half year, is expected to sustain a healthy and impressive growth on a firmer footing. Hong Kong also remains well positioned to benefit from the PRC's continuing growth and development, particularly given its positioning and advantages, during the National 12th Five Year Plan period.

Currently, the Group holds various commercial, industrial and residential properties in Hong Kong and Singapore and the Group plans to actively acquire properties with good potentials, so as to further expand the property investment portfolio, and provide the Group with solid income from this area.

## **6. MATERIAL CHANGE**

As disclosed in the Company's announcements dated 13 October 2011 and the interim results announcement dated 30 November 2011, the Group has recorded a loss for the six months ended 30 September 2011 as compared to a profit of the same period in 2010. Upon completion of the unconditional mandatory offer made by the Company to Easyknit Enterprises, Easyknit Enterprises has become a subsidiary of the Company on 25 October 2011. The Directors note that in Easyknit Enterprises' announcement dated 13 October 2011 and its interim results announcement dated 28 November 2011, Easyknit Enterprises and its subsidiaries has recorded a loss for the six months ended 30 September 2011 as compared to a profit of the same period in 2010.

As at the Latest Practicable Date, save as disclosed in the aforesaid announcements, there is no material adverse change to the financial or trading position of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up.

**1. FINANCIAL SUMMARY OF EASYKNIT ENTERPRISES**

The financial information of Easyknit Enterprises for (i) the year ended 31 March 2011 is disclosed in the annual report of Easyknit Enterprises for the year ended 31st March 2011 from pages 29 to 90; (ii) the year ended 31 March 2010 is disclosed in the annual report of Easyknit Enterprises for the year ended 31 March 2010 from pages 27 to 90; and (iii) the year ended 31 March 2009 is disclosed in the annual report of Easyknit Enterprises for the year ended 31 March 2009 from pages 26 to 71. The said annual reports of Easyknit Enterprises are available on Easyknit Enterprises' website at [www.easyknitenterp.com](http://www.easyknitenterp.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

**2. MANAGEMENT DISCUSSION AND ANALYSIS OF EASYKNIT ENTERPRISES**

Set out and reproduced below are the "Management discussion and analysis" sections contained in Easyknit Enterprises' annual reports for the three years ended 31 March 2011. Capitalised terms used herein are confined to this section of the circular.

**(i) For the year ended 31 March 2009****FINANCIAL RESULTS**

For the year ended 31 March 2009, Easyknit Enterprises recorded a turnover of approximately HK\$59,960,000, a decrease of approximately 20.0% over last year (2008: approximately HK\$74,923,000). The cost of sales and services reduced by approximately 6.3% to approximately HK\$61,581,000 (2008: approximately HK\$65,721,000). Easyknit Enterprises recorded a gross loss of approximately HK\$1,621,000 (2008: gross profit of approximately HK\$9,202,000). The gross loss was due to the increase in fixed production cost per unit as a result of decrease in sales and the increase in direct material costs during the year under review.

Loss attributable to shareholders increased by approximately 166.4% to approximately HK\$47,457,000 (2008: loss of approximately HK\$17,811,000). The increase in loss was mainly due to the impairments of approximately HK\$8,269,000 and HK\$15,325,000 made on recognising the decrease in value of the manufacturing assets of Easyknit Enterprises and the construction in progress of the Huzhou Project respectively, and the allowance of approximately HK\$3,793,000 made for doubtful debts. Loss per share was approximately HK\$0.22 (2008: loss per share of approximately HK\$0.32).

Easyknit Enterprises's total operating expenses reduced to approximately HK\$18,825,000 (2008: approximately HK\$26,149,000), the reduction of approximately 28% was mainly due to the decrease in legal and professional fees during the year under review as a result of the termination of the negotiation of the proposed merger of Easyknit Enterprises and Wits Basin Precious Minerals Inc., a company incorporated in the United States of America, in last year.

Finance costs was increased approximately 77.2% to approximately HK\$475,000 (2008: approximately HK\$268,000) principally by reason of the imputed interest on the 1% HK\$37,650,000 convertible note due in March 2009, details of which are shown in section "Capital Structure" below.

### **BUSINESS REVIEW**

During the year ended 31 March 2009, Easyknit Enterprises was principally engaged in the businesses of bleaching and dyeing, and knitting.

#### **Bleaching and dyeing**

The bleaching and dyeing business continued to be the major business of Easyknit Enterprises and contributed to approximately 99.86% of Easyknit Enterprises's total turnover for the year ended 31 March 2009 (2008: 99.96%). Taking into account the portion of inter-segment sale of approximately HK\$3,307,000 (2008: nil), turnover of this segment decreased by approximately 15.63% to approximately HK\$63,186,000 (2008: approximately HK\$74,891,000). This segment suffered a loss of approximately HK\$16,522,000 (2008: loss of approximately HK\$2,323,000). The loss was due to the increase in fixed production cost per unit as a result of decrease in sales, the increase in direct material costs, the allowance for doubtful debts of approximately HK\$3,793,000 made and impairment loss in respect of property, plant and equipment of approximately HK\$8,269,000 recognised for the year.

#### **Knitting**

Turnover for the knitting business accounted for approximately 0.14% (2008: 0.04%) of Easyknit Enterprises's turnover for the year ended 31 March 2009. External sales of approximately HK\$81,000 were recorded for the knitting business during the year under review (2008: approximately HK\$32,000). Taking into account the portion of inter-segment sale of approximately



HK\$37,835,000 (2008: approximately HK\$8,455,000), turnover derived from this segment rose by approximately 346.75% to approximately HK\$37,916,000 (2008: approximately HK\$8,487,000). Despite the increase in turnover, loss of approximately HK\$5,045,000 was recorded for this segment (2008: loss of approximately HK\$1,362,000). The increase in loss was due to the rise in the price of cotton yarn, a raw material for knitting production, during the year under review.

### **Geographical analysis**

Easyknit Enterprises's turnover is mainly derived from sales made to customers in Hong Kong with manufacturing operations located in the PRC.

### **Huzhou Project**

During the year, two blocks of factory premises and four blocks of workers' quarters have been completed on the land for garment manufacturing operation in respect of Easyknit Enterprises's project in constructing knitting, bleaching and dyeing and garment manufacturing operations in Zhili Town, Huzhou City, China (the "Huzhou Project"). To recognise the relevant completion, a corresponding cost of HK\$101,144,000 has been transferred from the construction in progress to the buildings. The land use right certificate of the remaining portion of land earmarked for bleaching and dyeing operation has still not been granted to Easyknit Enterprises but will be issued in the next few months.

An announcement was published by Easyknit Enterprises on 24 February 2009 concerning Easyknit Enterprises having been advised by the Zhili Town Government by a letter dated 6 February 2009 that the plans for the Huzhou Project have to be changed due to the deterioration of the environment along the Taihu Lake area in the recent two years. The dyeing and bleaching operations, being an integral part of the Huzhou Project plan, may discharge significant quantities of liquid waste. Any such discharge will no longer be permitted.

The Zhili Town Government has suggested that the land for the Huzhou Project may instead be used for industries such as electronics, machinery and communication, to be operated by wholly-owned enterprises, joint ventures or operations under other contractual arrangements. No relevant permits have yet been applied for by Easyknit Enterprises.

As a result of changes required by the Zhili Town Government, the board of Easyknit Enterprises has determined that the Huzhou Project as planned for bleaching and dyeing, knitting and garment production is no longer viable for the foreseeable future but shall seek new input to the land acquired. It is in the best interest of Easyknit Enterprises to cease any further investment in the Huzhou Project as originally planned. As a result of the cessation, full impairment of approximately HK\$15,325,000 has been made against the remaining balance in the construction in progress of the Huzhou Project. The board of Easyknit Enterprises has also considered that it would be inappropriate and not in the interests of shareholders to use the proceeds from all previous rights issues of Easyknit Enterprises's shares for the Huzhou Project as originally planned.

The board of Easyknit Enterprises will consider alternative uses for the land acquired and the buildings already constructed at the Huzhou Project, taking into account the alternative industries suggested by the Zhili Town Government in its letter.

### **PROSPECTS**

The directors of the Easyknit Enterprises anticipate that the businesses of Easyknit Enterprises will feel the impact of a declining market. Facing with present worldwide adverse financial condition, Easyknit Enterprises will focus in implementing more effective control in production cost and improving its product quality in order to serve the customers which have continued to place orders with Easyknit Enterprises. If the adverse condition prevails, Easyknit Enterprises may look for other more profitable businesses.

As regard to the Huzhou Project, the directors will continue to keep track of the transfer of the remaining two parcels of land to Easyknit Enterprises. Together with the Huzhou Government, Easyknit Enterprises is looking at other options which will be of benefit to the Easyknit Enterprises group for the use of the land acquired.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2009, Easyknit Enterprises financed its operations mainly by internally generated resources, and the net proceeds of approximately HK\$100 million raised from the Rights Issue, details of the Rights Issue are shown in section "Capital Structure" below. As at 31

March 2009 and 31 March 2008, Easyknit Enterprises had no outstanding bank borrowings. Shareholders' funds of Easyknit Enterprises as at 31 March 2009 was approximately HK\$356,580,000 (31 March 2008: approximately HK\$266,965,000). Easyknit Enterprises's gearing ratio was calculated on the basis of the total borrowings and the liability component of convertible note of approximately HK\$33,750,000 at 31 March 2008 to the shareholders' fund. As Easyknit Enterprises had no bank borrowings and convertible note as at 31 March 2009, no gearing ratio of Easyknit Enterprises was presented (31 March 2008: 0.126).

Easyknit Enterprises continued to sustain a liquidity position. As at 31 March 2009, Easyknit Enterprises had net current assets of approximately HK\$208,622,000 (31 March 2008: approximately HK\$105,742,000) and cash and cash equivalents of approximately HK\$154,870,000 (31 March 2008: approximately HK\$139,753,000). Easyknit Enterprises's cash and cash equivalents were mainly denominated in Hong Kong dollars and Renminbi. As at 31 March 2009, Easyknit Enterprises's current ratio was approximately 7.6 (31 March 2008: approximately 2.6), which was calculated on the basis of current assets of approximately HK\$240,161,000 (31 March 2008: approximately HK\$172,126,000) to current liabilities of approximately HK\$31,539,000 (31 March 2008: approximately HK\$66,384,000). During the year under review, Easyknit Enterprises serviced its debts mainly through internally generated resources.

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

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

Most of Easyknit Enterprises's revenues and payments are in Hong Kong dollars and Renminbi. During the year under review, Easyknit Enterprises had no significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to currency fluctuations to be minimal.

**CAPITAL STRUCTURE**

As announced on 3 and 12 March 2008, Easyknit Enterprises issued a convertible note on 12 March 2008 with a principal amount of HK\$37,650,000 to Mr. Chen Tien Tui at the initial conversion price of HK\$0.048 per share. Interest rate was at 1% per annum payable semi-annually in arrears. Maturity date was one year after the issuance.

During the period between April and June 2008, the whole of the principal amount of the convertible note of HK\$37,650,000 had been converted at the initial conversion price. As a result of the conversions, a total of 784,375,000 shares of Easyknit Enterprises were allotted and duly issued.

At the special general meeting of Easyknit Enterprises held on 22 September 2008, a special resolution approving the capital reorganisation (as detailed below) was passed and the capital reorganisation became effective on 23 September 2008.

- (a) the reduction of the nominal value of all issued shares of Easyknit Enterprises from HK\$0.01 each to HK\$0.0001 each by cancelling the paid up capital to the extent of HK\$0.0099 on each issued share (the “Issued Capital Reduction”);
- (b) the reduction of the nominal value of all shares in the authorised share capital of Easyknit Enterprises from HK\$0.01 each to HK\$0.0001 each, resulting in the reduction of the authorised share capital from HK\$200,000,000 to HK\$2,000,000 divided into 20,000,000,000 shares of HK\$0.0001 each (the “Authorised Capital Reduction”);
- (c) the consolidation of every one hundred (100) issued and unissued shares of HK\$0.0001 each in the issued and unissued share capital of Easyknit Enterprises (the “Share Consolidation”) into one (1) share of HK\$0.01 each (“Consolidated Share”);
- (d) the increase of the authorised share capital of Easyknit Enterprises from HK\$2,000,000 divided into 200,000,000 Consolidated Shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Consolidated Shares of HK\$0.01 each by the creation of 19,800,000,000 new Consolidated Shares (the “Authorised Capital Increase”); and

- (e) the transfer of the credit amount arising from the Issued Capital Reduction to the contributed surplus account of Easyknit Enterprises and the application of the sum of HK\$66,082,401 in the contributed surplus account of Easyknit Enterprises to set off against the accumulated losses of Easyknit Enterprises, which amounted to HK\$131,747,676.06 as at 31 March 2008.

Further details of the above capital reorganisation are set out in Easyknit Enterprises's circular dated 29 August 2008.

On 5 November 2008, Easyknit Enterprises entered into an underwriting agreement in relation to the rights issue of 667,499,000 rights shares at the subscription price of HK\$0.15 per rights share on the basis of ten rights shares for every existing share held (the "Rights Issue"). The said 667,499,000 rights shares were allotted by Easyknit Enterprises on 19 January 2009. Details of the Rights Issue are set out in Easyknit Enterprises's prospectus dated 29 December 2008.

Save as disclosed above, Easyknit Enterprises had no debt securities or other capital instruments as at 31 March 2009 and up to the date of this report.

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

Easyknit Enterprises had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2009.

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

Easyknit Enterprises did not have any charges on assets as at 31 March 2009.

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

During the year ended 31 March 2009, Easyknit Enterprises spent approximately HK\$29,690,000 on acquisition of property, plant and equipment (2008: approximately HK\$35,182,000).

As at 31 March 2009, Easyknit Enterprises had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK\$1,153,000 (31 March 2008: approximately HK\$45,654,000) and had no capital expenditure authorised but not contracted for (31 March 2008: approximately HK\$384,636,000).

**CONTINGENT LIABILITIES**

Easyknit Enterprises did not have any significant contingent liabilities as at 31 March 2009 (31 March 2008: Nil).

**SIGNIFICANT INVESTMENT**

Apart from Huzhou Project, details of which are shown in section “Business Review” above, Easyknit Enterprises did not have any significant investment held as at 31 March 2009.

**FUTURE PLAN FOR MATERIAL INVESTMENTS**

The board of Easyknit Enterprises will extend Easyknit Enterprises’s business activities to property investment in the coming year. The initial source of funding for this segment of business will come from the internal resources of Easyknit Enterprises but may go into fund raising if necessary. The board of Easyknit Enterprises will continue actively to look for/negotiate other potential investment opportunity in Hong Kong in order to build up its property portfolio in addition to the land Easyknit Enterprises is already holding in Mainland China. Easyknit Enterprises is already in advanced discussions for the acquisition by it of significant property investments that may or may not result in agreements in the very near future. If agreements for the acquisition of significant property investments are entered into, Easyknit Enterprises will incur material funding obligations that may be satisfied from cash resources, borrowings, equity issues or a combination of two or more of the foregoing. Any agreements will be entered into, and any fund raising will be carried out, in strict compliance with the Listing Rules.

**EMPLOYMENT AND REMUNERATION POLICY**

As at 31 March 2009, Easyknit Enterprises employed approximately 190 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors’ emoluments) amounted to approximately HK\$10,102,000 for the year under review (2008: approximately HK\$10,956,000). Easyknit Enterprises remunerates its employees based on their performance, experience and prevailing industry practice. Easyknit Enterprises has adopted the Mandatory Provident Fund Scheme for the Hong Kong employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. Easyknit Enterprises has a share option scheme to motivate valued employees.

**(ii) For the year ended 31 March 2010****FINANCIAL RESULTS****Discontinued operations**

The existing bleaching, dyeing and knitting productions were discontinued in November 2009. Turnover from the discontinued operations for the eight months period amounted to approximately HK\$21,175,000, a decrease of approximately 64.7% as compared to the full year ended 31 March 2009 (2009: approximately HK\$59,960,000). Easyknit Enterprises continued to record a gross loss of approximately HK\$3,136,000 for its discontinued operations (2009: gross loss of approximately HK\$1,621,000). The gross loss was due to the increase in fixed production cost per unit as a result of decrease in sales. Loss for the year from discontinued operations amounted to approximately HK\$9,021,000 (2009: approximately HK\$22,732,000). The loss was again due to the increase in fixed production cost per unit as a result of decrease in sales. On the other hand, the improvement in loss as compared to last year was due to the fact that only eight months of production were recorded during the year ended 31 March 2010 as opposed to twelve months for the year ended 31 March 2009. Loss per share from discontinued operations was HK\$0.045 (2009: HK\$0.944).

**Continuing operations**

For the year ended 31 March 2010, Easyknit Enterprises recorded a turnover of approximately HK\$31,210,000 (2009: nil) for its new business operations, namely the garment sourcing and exporting and the property investment businesses. The gross profit was approximately HK\$5,354,000 (2009: nil). Loss for the year from continuing operations amounted to approximately HK\$9,037,000 (2009: approximately HK\$24,725,000). The improvement in loss was mainly due to no impairment loss was recognised in respect of property, plant and equipment for the year under review as compared to last corresponding year. Loss per share from continuing operations was HK\$0.045 (2009: HK\$1.027). Loss per share from continuing and discontinued operations was HK\$0.090 (2009: HK\$1.971).

Easyknit Enterprises's total operating expenses for continuing operations increased to approximately HK\$15,421,000 (2009: approximately HK\$10,921,000). The increase of approximately 41.2% operating expenses was

mainly due to the increase in administrative expenses such as staff salaries, rental and other overhead expenditures incurred by the newly acquired garment sourcing and exporting business, the tax provided for the Huzhou Project and the increase in legal and professional fees for various fund raising and acquisitions of properties and operating businesses during the year.

There was no finance costs incurred for the year under review (2009: approximately HK\$475,000). The finance cost incurred in 2009 was due to the imputed interest on the 1% HK\$37,650,000 convertible note due in March 2009. No such convertible note existed for the year under review.

### **BUSINESS REVIEW**

During the year ended 31 March 2010, Easyknit Enterprises discontinued its bleaching, dyeing and knitting businesses and extended its operations to property investment and garment sourcing and exporting businesses.

#### **Discontinued operations**

Easyknit Enterprises ceased its bleaching, dyeing and knitting businesses around the end of November 2009 in order to prevent further losses. These businesses have been loss making since the financial year ended 31 March 2006. During the past years, Easyknit Enterprises faced with increasing pressure from high manufacturing costs, shortage of labour supply due to poor working condition and high cost in order to comply with the stringent environmental control and protection regulations. As a result, Easyknit Enterprises earned very thin profit margin from these businesses. Besides, there was uncertainty on the ability of Easyknit Enterprises to renew the operating license of bleaching and dyeing business, which are due to expire in 2011. All these adverse factors made the future of these businesses uncertain and unattractive. The cessation enables the board of Easyknit Enterprises to focus its attention on more profitable businesses.

#### **Property investment**

As announced by Easyknit Enterprises on 3 July 2009, Easyknit Enterprises acquired two properties located at Ground and Cockloft Floor, No. 13 Matheson Street, Hong Kong and Ground Floor, No. 148 Johnston Road, Hong Kong for total considerations of HK\$53,688,000 and HK\$38,000,000 respectively. The acquisitions were completed in September 2009. Details of the two transactions were disclosed in the Easyknit Enterprises's circular dated



24 July 2009. The two acquisitions enable Easyknit Enterprises to extend its business activities to property investments. As the two properties are located in the prime area of Hong Kong Island, the board of Easyknit Enterprises expects to receive a steady income stream from property rental and the likely increase in value of the properties over time.

During the year, turnover generated from the above two properties in Hong Kong and the properties in the PRC was approximately HK\$2,322,000 (2009: nil), representing about 7.4% of the total turnover of the Easyknit Enterprises group's continuing businesses. Operating profit for this segment was approximately HK\$954,000 (2009: nil).

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

As announced by Easyknit Enterprises on 8 December 2009, Easyknit Enterprises acquired the garment sourcing and exporting business in cotton-based knitted garments for infants, children and women from its controlling shareholder, Easyknit International Holdings Limited, to replace its businesses of bleaching, dyeing and knitting which have been terminated around November 2009. Details of the transaction were disclosed in the circular sent to shareholders on 29 January 2010. The directors of Easyknit Enterprises believe the profit margin from garment sourcing and exporting business will be more attractive than the bleaching, dyeing and knitting businesses. The acquisition of the garment sourcing and exporting business would enable Easyknit Enterprises to enter the garment trading business immediately without the need to start it from scratch. Besides, capital investment in garment sourcing and exporting business is low. There are also no tight environment regulations that are required to comply with. The garment sourcing and exporting business is also less sensitive to volatility of raw material prices. The acquisition enables Easyknit Enterprises to acquire an alternative business in garment industry and allow Easyknit Enterprises to continue with the utilisation of its management expertise and customer networks in the garment industry.

As the acquisition of the garment sourcing and exporting business was completed on 1 March 2010, only one month turnover has been recorded by Easyknit Enterprises. Turnover for this business segment up to end of March 2010 was approximately HK\$28,888,000 (2009: nil), representing approximately 92.6% of the total turnover of Easyknit Enterprises's continuing operations. Operating profit for this segment was approximately HK\$288,000 (2009: nil).

**Geographical analysis**

Easyknit Enterprises's income from the discontinued operations of bleaching, dyeing and knitting were mainly derived from sales made to customers in Hong Kong with manufacturing operations located in the PRC while the turnover from garment sourcing and exporting business were mainly derived from customers in the United States of America (the "US"). Rental income from investment properties were derived from properties located in Hong Kong and in the PRC.

**Development of Huzhou Project**

Two blocks of factory premises and four blocks of workers' quarters have been completed on the land for garment manufacturing operation in Huzhou. An announcement was published by Easyknit Enterprises on 24 February 2009 concerning Easyknit Enterprises having been advised by the Zhili Town Government by a letter dated 6 February 2009 that plans for the Huzhou Project have to be changed due to the deterioration of the environment along the Taihu Lake area in the recent two years. The Zhili Town Government has now agreed to repurchase the land for knitting, bleaching and dyeing operations of the Huzhou Project at a profit to Easyknit Enterprises and also to repay the refundable deposit to Easyknit Enterprises. Payments are expected to be made to Easyknit Enterprises before September 2010.

**PROSPECTS**

The board of Easyknit Enterprises has ceased its knitting, bleaching and dyeing manufacturing operations and changed to garment trading and investment in real properties businesses.

As regard to the Huzhou Project, the Board together with the Huzhou Government is looking at other options for the use of the land marked for garment manufacturing operation.

Easyknit Enterprises's major market for the garment sourcing and exporting business will remain focused on the US and Europe, which are relatively mature and where the customer demand in the long run is expected to be relatively stable notwithstanding any short term fluctuation. The board of

Easyknit Enterprises will continue to keep its focus in the trading of garments, areas in which Easyknit Enterprises have expertise. The board of Easyknit Enterprises will strengthen the business relationship with existing customers and look for opportunity to expand its customer base.

The local property market has seen recovery in 2009 and first half of 2010. This reflected that Hong Kong remains as one of the most attractive markets for property investment. The board of Easyknit Enterprises will keep the two properties for investment purpose and constantly look for other opportunity to maximise shareholders' return.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2010, Easyknit Enterprises financed its operations mainly by internally generated resources, and the net proceeds of approximately HK\$111 million raised from the Rights Issue, details of the Rights Issue are shown in section "Capital Structure" below. As at 31 March 2010 and 31 March 2009, Easyknit Enterprises had no outstanding bank borrowings. Shareholders' funds of the Easyknit Enterprises group as at 31 March 2010 was approximately HK\$489,983,000 (31 March 2009: approximately HK\$356,580,000). As Easyknit Enterprises had no borrowings as at 31 March 2010 and 31 March 2009, no gearing ratio of Easyknit Enterprises was presented.

Easyknit Enterprises continued to sustain a liquidity position. As at 31 March 2010, Easyknit Enterprises had net current assets of approximately HK\$187,649,000 (31 March 2009: approximately HK\$208,622,000) and cash and cash equivalents of approximately HK\$127,912,000 (31 March 2009: approximately HK\$154,870,000). Easyknit Enterprises's cash and cash equivalents were mainly denominated in Hong Kong dollars, Renminbi and USD. As at 31 March 2010, Easyknit Enterprises's current ratio was approximately 5.6 (31 March 2009: approximately 7.6), which was calculated on the basis of current assets of approximately HK\$191,380,000 (31 March 2009: approximately HK\$240,161,000) and assets classified as held for sale of approximately HK\$36,834,000 (31 March 2009: nil) to current liabilities of approximately HK\$40,565,000 (31 March 2009: approximately HK\$31,539,000). During the year under review, Easyknit Enterprises serviced its debts mainly through internally generated resources.

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

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

Most of Easyknit Enterprises's revenues and payments are in US dollars, Hong Kong dollars and Renminbi. During the year under review, Easyknit Enterprises had no significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to currency fluctuations to be minimal.

#### **CAPITAL STRUCTURE**

At the special general meeting of Easyknit Enterprises held on 13 October 2009, a special resolution approving the capital reorganization (as detailed below) was passed and the capital organization became effective on 14 October 2009.

- (a) the reduction of the nominal value of all issued shares of Easyknit Enterprises from HK\$0.01 to HK\$0.001 each by cancelling the paid up capital to the extent of HK\$0.009 on each issued share ("Issued Capital Reduction");
- (b) the consolidation of every 10 issued reduced shares of HK\$0.001 each into one adjusted shares of HK\$0.01 each upon the Issued Capital Reduction becoming effective;
- (c) the reduction of the entire amount standing to credit of the share premium account of Easyknit Enterprises to nil ("Share Premium Reduction"); and
- (d) the transfer of the credit amount arising from the Issued Capital Reduction and the Share Premium Reduction to the contributed surplus account of Easyknit Enterprises, and the application of the appropriate amounts therein to set off against the total accumulated losses of Easyknit Enterprises.

At the same special general meeting of Easyknit Enterprises held on 13 October 2009, an ordinary resolution approving the rights issue of 293,699,560 rights shares at the subscription price of HK\$0.38 per rights share on the

basis of four rights shares for every adjusted shares held (“Rights Issue”) was passed after the passing of the capital re-organisation. The said 293,699,560 rights shares were allotted by Easyknit Enterprises on 3 November 2009.

Details of the capital organization and the Rights Issue were set out in Easyknit Enterprises’s circular and prospectus dated 11 September 2009 and 14 October 2009 respectively.

Save as disclosed above, Easyknit Enterprises had no debt securities or other capital instruments as at 31 March 2010 and up to the date of this report.

### **MATERIAL ACQUISITIONS AND DISPOSALS**

On 3 July 2009, Easyknit Enterprises announced to acquire the entire issued share capital of Chancemore Limited (“Chancemore”) and Clever Wise Holdings Limited (“Clever Wise”) through one of its wholly-owned subsidiaries. The acquisitions enabled the Easyknit Enterprises group to acquire the properties located at Ground Floor and Cockloft Floor, No. 13 Matheson Street, Hong Kong (“Matheson Street Property”) and Ground Floor, No. 148 Johnston Road, Hong Kong (“Johnston Road Property”). The total considerations for the acquisition of the Matheson Street Property and the Johnston Road Property are HK\$53,688,000 and HK\$38,000,000 respectively. The acquisitions were approved by the shareholders of Easyknit Enterprises at a special general meeting held on 12 August 2009. Chancemore and Clever Wise became wholly owned subsidiaries of Easyknit Enterprises on 11 September 2009. Completions of the Matheson Street Property and the Johnston Road Property were taken place in September 2009. Details of these two acquisitions were set out in Easyknit Enterprises’s circular dated 24 July 2009.

As announced on 22 October 2009, a wholly-owned subsidiary of Easyknit Enterprises acquired on the Stock Exchange 50,000 shares of The Hongkong and Shanghai Banking Corporation Limited at a total consideration of HK\$4,462,500 (exclusive of transaction cost).

As announced by Easyknit Enterprises on 8 December 2009, Easyknit Enterprises acquired the entire issued share capital of three companies, namely Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited, all of which are engaged in the business of garment sourcing and exporting from a subsidiary of its controlling shareholder, Easyknit International Holdings Limited, for a total consideration

of HK\$80,000,000. The acquisition was approved by shareholders of Easyknit Enterprises at a special general meeting held on 17 February 2010 and the completion was taken place on 1 March 2010. Details of the transaction were set out in Easyknit Enterprises's circular dated 29 January 2010.

As announced by Easyknit Enterprises on 1 March 2010, two wholly-owned subsidiaries of Easyknit Enterprises, as the sellers, have entered into sale and purchase agreement with Zhili Town Government of the People's Republic of China ("PRC"), as the purchaser, for the disposal of the three pieces of land forming part of the site of an aggregate area of approximately 303 mu (Equivalent to approximately 202,000 sq. m.) situated at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC and the South of Hongtang Harbour, PRC. The two disposals were approved by the shareholders of Easyknit Enterprises at a special general meeting held on 23 April 2010. Details of the two disposals were set out in Easyknit Enterprises's circular dated 31 March 2010.

Save as disclosed above, Easyknit Enterprises had no material acquisitions or disposals of subsidiaries and associated companies for the year ended 31 March 2010.

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

Easyknit Enterprises did not have any charges on assets as at 31 March 2010.

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

During the year ended 31 March 2010, Easyknit Enterprises spent approximately HK\$1,115,000 on acquisition of property, plant and equipment (2009: approximately HK\$29,690,000).

As at 31 March 2010, Easyknit Enterprises had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK\$2,142,000 (31 March 2009: approximately HK\$1,153,000) and had no capital expenditure authorised but not contracted for (31 March 2009: nil).

#### **CONTINGENT LIABILITIES**

Easyknit Enterprises did not have any significant contingent liabilities as at 31 March 2010 (31 March 2009: nil).

**SIGNIFICANT INVESTMENT**

Apart from the investment in Huzhou Project, the acquisitions of the Matheson Street Property, the Johnston Road Property and the garment sourcing and exporting business, Easyknit Enterprises did not have any significant investment held as at 31 March 2010.

**FUTURE PLAN FOR MATERIAL INVESTMENTS**

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

**EMPLOYMENT AND REMUNERATION POLICY**

As at 31 March 2010, the Easyknit Enterprises group employed approximately 55 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors' emoluments) amounted to approximately HK\$8,763,000 for the year under review (2009: approximately HK\$10,102,000). Easyknit Enterprises remunerates its employees based on their performance, experience and prevailing industry practice. Easyknit Enterprises has adopted the Mandatory Provident Fund Scheme for the Hong Kong employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. Easyknit Enterprises has a share option scheme to motivate valued employees.

**(iii) For the year ended 31 March 2011****FINANCIAL RESULTS**

For the year ended 31 March 2011, Easyknit Enterprises recorded a turnover of approximately HK\$347,992,000 which comprised the garment sourcing and exporting and the property investment businesses (2010: approximately HK\$31,210,000). As the garment sourcing and exporting business was acquired in March 2010 and the property investment business commenced in September 2010, the figures for the previous financial year ended 31 March 2010 was presented for reference only and was irrelevant for comparison purposes as they did not cover the entire 12-month full year performance. Cost of sales for the garment sourcing and exporting business was approximately HK\$309,487,000 (2010: approximately HK\$25,856,000). The

gross profit amounted to approximately HK\$38,505,000 (2010: approximately HK\$5,354,000). Easyknit Enterprises's total operating expenses was approximately HK\$37,235,000 (2010: approximately HK\$15,421,000).

For the year ended 31 March 2011, Easyknit Enterprises recorded a turnover of approximately HK\$89,000 from the discontinued businesses of bleaching, dyeing and knitting (2010: approximately HK\$21,175,000). The related cost of sales amounted to approximately HK\$139,000 (2010: approximately HK\$24,311,000). Gross loss amounted to approximately HK\$50,000 (2010: gross loss of approximately HK\$3,136,000). Total operating expenses amounted to approximately HK\$1,307,000 (2010: approximately HK\$6,585,000).

Profit attributable to shareholders from the continuing and discontinued operations was approximately HK\$65,060,000 as compared to loss attributable to shareholders of approximately HK\$18,058,000 last year. The turnaround was mainly attributable to (i) Easyknit Enterprises ceased its bleaching, dyeing and knitting businesses in November 2009 to prevent further losses; (ii) Easyknit Enterprises commenced its garment sourcing and exporting business in March 2010; (iii) the gain arising on changes in fair value of investment properties of approximately HK\$37,374,000; (iv) the gain on fair value changes of investments held for trading of approximately HK\$1,705,000; (v) reversal of impairment loss recognised in respect of property, plant and equipment of HK\$8,777,000; and (vi) gain on disposal of discontinued operations of HK\$21,388,000. Earnings per share for the continuing and discontinued operations was approximately HK\$0.152 (2010: loss of approximately HK\$0.080).

No finance cost was incurred for the year ended 31 March 2011 (2010: nil) as there was no bank borrowing during the year under review.

## **BUSINESS REVIEW**

During the year ended on 31 March 2011, Easyknit Enterprises was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment.



**Garment sourcing and exporting**

During the year under review, turnover from this segment amounted to approximately HK\$342,700,000. It constituted an approximately 98.5% of Easyknit Enterprises's turnover. Profit gained from this segment was approximately HK\$3,115,000. The product mix of infants wear and ladies wear for the year ended 31 March 2011 was 38.6 : 36.1.

**Property investment**

During the year under review, rental generated from the two properties of Easyknit Enterprises located at Ground and Cockloft Floor, No. 13 Matheson Street, Hong Kong and Ground Floor, No. 148 Johnston Road, Hong Kong was approximately HK\$3,344,000. As a result of change in the original investment plan in Huzhou, the People's Republic of China (the "PRC") (for details, please refer to Easyknit Enterprises's announcements dated 24 February 2009 and 1 March 2010 for the reasons of change), the board of Easyknit Enterprises decided to increase revenue by leasing out the Huzhou's industrial buildings to local manufacturers. For the year ended 31 March 2011, Easyknit Enterprises recorded rental of approximately HK\$1,948,000 from the leasing of the Huzhou's industrial buildings (2010: approximately HK\$550,000). The market values of Easyknit Enterprises's two investment properties in Hong Kong as at 31 March 2011 were revalued by professional valuer at approximately HK\$135,000,000, an increase in fair value of approximately HK\$35,217,000 for the year ended 31 March 2011. The value of the Huzhou industrial buildings were valued at approximately HK\$178,070,000, an increase in fair value of approximately HK\$2,157,000 for the year ended 31 March 2011.

**Discontinued businesses**

During the year under review, all outstanding orders from the discontinued bleaching, dyeing and knitting businesses were fulfilled by subcontracting out to third party manufacturers.

**Geographical analysis of turnover**

During the year, the turnover from the garment sourcing and exporting business was mainly derived from customers in the United States of America (the "US"). Rental income from investment properties were derived from properties located in Hong Kong and the PRC.

**Development on the Huzhou Project**

As announced by Easyknit Enterprises on 1 March 2010, two wholly-owned subsidiaries of Easyknit Enterprises, as the sellers, have entered into sale and purchase agreement with the Zhili Town Government, as the purchaser, for the disposal of the three pieces of land forming part of the site of an aggregate area of approximately 303 mu (equivalent to approximately 202,000 sq. m.) situated at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC and the South of Hengtang Harbour, the PRC. The two disposals were approved by the shareholders of Easyknit Enterprises at a special general meeting held on 23 April 2010. Details of the two disposals were set out in Easyknit Enterprises's circular dated 31 March 2010. The transaction are now completed and fully paid.

**PROSPECTS**

The board of Easyknit Enterprises has ceased its bleaching, dyeing and knitting manufacturing operations and changed to garment sourcing and exporting business; and investment in real properties.

As regard to the Huzhou Project, the board of Easyknit Enterprises together with the Zhili Town Government is looking at other options for the use of the land marked for garment manufacturing operation. As the first step, the Zhili Town Government has agreed that we can use the building of two factory blocks for leasing purposes.

Easyknit Enterprises's major market for the garment sourcing and exporting businesses will remain focus on the US and Europe, which are relatively mature and where the customers demand in the long run is expected to be relatively stable notwithstanding any short term fluctuation. The board of Easyknit Enterprises will continue to keep its focus in the trading of garments, areas in which Easyknit Enterprises has expertise. The board of Easyknit Enterprises will strengthen the business relationship with existing customers and look for opportunity to expand its customer base.

The local property market has been rising in the past year. This reflects Hong Kong remaining one of the most attractive markets for property investment. The board of Easyknit Enterprises will keep the two properties for investment purpose and constantly look for other opportunities to maximise shareholders' return.

As disclosed in the announcement of Easyknit Enterprises dated 31 December 2010 in relation to Easyknit Enterprises's new business direction, Easyknit Enterprises is exploring investment opportunities in hotel and serviced apartment projects. Notwithstanding, Easyknit Enterprises currently has not identified any specific acquisition target.

### LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2011, Easyknit Enterprises financed its operations mainly by internally generated resources, and the net proceeds of approximately HK\$64,000,000 raised from the Rights Issue, details of the Rights Issue are shown in section "Capital Structure" below. As at 31 March 2011 and 31 March 2010, Easyknit Enterprises had no outstanding bank borrowings. Shareholders' funds of Easyknit Enterprises as at 31 March 2011 was approximately HK\$628,362,000 (2010: approximately HK\$489,983,000). As Easyknit Enterprises had no borrowings as at 31 March 2011 and 31 March 2010, no gearing ratio of Easyknit Enterprises was presented.

Easyknit Enterprises continued to sustain a liquidity position. As at 31 March 2011, Easyknit Enterprises had net current assets of approximately HK\$280,808,000 (2010: approximately HK\$187,649,000) and cash and cash equivalents of approximately HK\$181,876,000 (2010: approximately HK\$127,912,000). Easyknit Enterprises's cash and cash equivalents were mainly denominated in Hong Kong dollars, Renminbi and US dollars. As at 31 March 2011, Easyknit Enterprises's current ratio was approximately 6.6 (2010: approximately 5.6), which was calculated on the basis of current assets of approximately HK\$330,468,000 (2010: approximately HK\$191,380,000) and assets classified as held for sale of approximately HK\$227,000 (2010: approximately HK\$36,834,000) to current liabilities of approximately HK\$49,887,000 (2010: approximately HK\$40,565,000). During the year under review, Easyknit Enterprises serviced its debts mainly through internally generated resources.

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

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

Most of Easyknit Enterprises's revenues and payments are in US dollars, Hong Kong dollars and Renminbi. During the year under review, Easyknit Enterprises had no significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The directors considered the risk of exposure to currency fluctuations to be minimal.

**CAPITAL STRUCTURE**

On 5 January 2011, Easyknit Enterprises entered into an underwriting agreement in relation to the rights issue of 183,562,225 rights shares at the subscription price of HK\$0.35 per rights share on the basis of one rights share for every two shares held. Details of the aforesaid rights issue were set out in Easyknit Enterprises's announcement and prospectus dated 5 January 2011 and 11 February 2011 respectively.

Save as disclosed above, Easyknit Enterprises had no debt securities or other capital instruments as at 31 March 2011 and up to the date of this report.

**MATERIAL ACQUISITION AND DISPOSAL**

Easyknit Enterprises had no material acquisitions or disposals of subsidiaries and associated companies for the year ended 31 March 2011.

**CHARGES ON GROUP ASSETS**

Easyknit Enterprises did not have any charges on assets as at 31 March 2011.

**CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS**

During the year ended 31 March 2011, Easyknit Enterprises spent approximately HK\$59,000 on acquisition of property, plant and equipment (2010: approximately HK\$1,115,000).

As at 31 March 2011, Easyknit Enterprises had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK\$1,344,000 (2010: approximately HK\$2,142,000) and had no capital expenditure authorised but not contracted for (2010: nil).

**CONTINGENT LIABILITIES**

Easyknit Enterprises did not have any significant contingent liabilities as at 31 March 2011 (2010: nil).

**SIGNIFICANT INVESTMENT**

Save as disclosed above, Easyknit Enterprises did not have any significant investment held as at 31 March 2011.

**FUTURE PLAN FOR MATERIAL INVESTMENTS**

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

**EMPLOYMENT AND REMUNERATION POLICY**

As at 31 March 2011, Easyknit Enterprises employed approximately 40 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors' emoluments) amounted to approximately HK\$14,518,000 for the year under review (2010: approximately HK\$8,763,000). Easyknit Enterprises remunerates its employees based on their performance, experience and prevailing industry practice. Easyknit Enterprises has adopted the Mandatory Provident Fund Scheme for the Hong Kong employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. Easyknit Enterprises has a share option scheme to motivate valued employees.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars in compliance with the Listing Rules for the purpose of providing information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

**2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES**

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

**(a) Interests in the Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of ordinary shares held (long position)</b>	<b>Approximate percentage of interest</b>
Ms. Lui Yuk Chu	<i>(Note i)</i>	46,609,144	58.69%
Ms. Koon Ho Yan, Candy <i>(Note ii)</i>	Beneficiary of a trust	29,179,480	36.74%

*Notes:*

- (i) Out of 46,609,144 shares, 17,429,664 shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu. The other 29,179,480 shares are registered in the name of and are beneficially owned by Magical Profits Limited, 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 included 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 ordinary shares held (long position)</b>	<b>Approximate percentage of interest</b>
Ms. Lui Yuk Chu	(Note iii)	398,450,671	72.36%
Ms. Koon Ho Yan, Candy (Note iv)	Beneficiary of a trust	398,450,671	72.36%

*Notes:*

- (iii) Out of 398,450,671 shares, 174,592,987 shares are registered in the name of and are beneficially owned by Landmark Profits Limited, a wholly-owned subsidiary of the Company. The remaining 223,857,684 shares are held by Goodco Development Limited, a wholly-owned subsidiary of the Company. As such, Easyknit Properties Holdings Limited which owns the entire issued share capital of Goodco Development Limited is deemed to be interested in the same 223,857,684 shares. The Company is the owner of the entire issued share capital of Easyknit Properties Holdings Limited. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of the Company and is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of the Company and 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 included Ms. Lui Yuk Chu and her family members other than her spouse).
- (iv) 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 v)**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of non-voting deferred shares</b>	<b>Approximate percentage of interest</b>
Ms. Lui Yuk Chu	(Note vi)	2	100.00%

*Notes:*

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS

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

Name of Substantial Shareholder	<i>Notes</i>	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interest
Koon Wing Yee	<i>a</i>	Interest of spouse	46,609,144	58.69%
Sea Rejoice Limited	<i>a &amp; b</i>	Beneficial owner	17,429,664	21.95%
Magical Profits Limited	<i>a &amp; b</i>	Beneficial owner	29,179,480	36.74%



Name of Substantial Shareholder	Notes	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interest
Accumulate More Profits Limited	<i>a</i>	Interest of controlled corporation	29,179,480	36.74%
Hang Seng Bank Trustee International Limited	<i>a &amp; c</i>	Trustee	29,179,480	36.74%
Hang Seng Bank Limited	<i>c</i>	Interest of controlled corporation	29,179,480	36.74%
The Hongkong and Shanghai Banking Corporation Limited	<i>c</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings BV	<i>c</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings (UK)	<i>c</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings BV	<i>c</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Finance (Netherlands)	<i>c</i>	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings plc	<i>c</i>	Interest of controlled corporation	29,179,480	36.74%

*Notes:*

- (a) Out of 46,609,144 shares, 17,429,664 shares are beneficially owned by Sea Rejoice Limited which is wholly-owned by Ms. Lui Yuk Chu. The remaining 29,179,480 shares are registered in the name of and are beneficially owned by Magical Profits Limited, 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 included 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 29,179,480 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, is deemed to be interested in the 46,609,144 shares by virtue of the SFO.

- (b) Ms. Lui Yuk Chu, being an executive Director, is also a director of Sea Rejoice Limited and Magical Profits Limited.
- (c) Hang Seng Bank Trustee International Limited is a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited is owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited. HSBC Asia Holdings (UK) Limited is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company 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 be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

#### **4. DIRECTORS' SERVICE CONTRACTS**

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

#### **5. LITIGATION**

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group:

- (i) the claims against the Commissioner of Police commenced by the Company and Mr. Kwong Jimmy Cheung Tim, the President and Chief Executive Officer of the Company, as disclosed in the announcement of the Company on 6 July 2010; and

- (ii) the claims against Lau Kwong Wing and Cheng Lai Yin by Chief Access Limited, a wholly-owned subsidiary of the Company, for, among other things, loss and damages of HK\$1,397,648.08 in aggregate suffered by Chief Access Limited as a result of contractual breach of sale and purchase agreements in respect of the property at Rear Portion of First Floor, Nos. 311A and 311C Prince Edward Road West, Kowloon, Hong Kong by Lau Kwong Wing and Cheng Lai Yin.

## **6. COMPETING INTERESTS**

As at the Latest Practicable Date, save and except that Ms Lui Yuk Chu, through a company wholly-owned by her, had entered into a provisional sale and purchase agreement dated 31 December 2009 and two provisional sale and purchase agreements dated 15 January 2010 and two assignments dated 1 April 2010 acquiring three units in the same building as the properties acquired by the Group as announced on 27 April 2011 (i.e. Nos 301, 301A-C Prince Edward Road West, Kowloon), none of the Directors or their respective associates had any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

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

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company had any direct or indirect interest in any asset which had been, since 31 March 2011, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

**8. MATERIAL CONTRACTS**

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

- (a) the agreement dated 24 February 2010 entered into between Ng Kwai Tung as vendor and Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser for the sale and purchase of the entire issued share capital of Chief Access Limited for the consideration of HK\$5,650,000 in respect of which completion took place on 19 April 2010;
- (b) the sale and purchase agreement dated 1 March 2010 entered into between the Zhili Town Government (as purchaser), Easyknit Weaving (Huzhou) Co. Limited and Easyknit Dyeing and Printing (Huzhou) Co. Limited (as vendors), Finance Bureau of Wuxing District (as guarantor), and Easyknit (Mauritius) Limited in relation to the sale by the vendors and the purchase by the Zhili Town Government of the three pieces of repurchased lands in Huzhou for a total sum of RMB76,477,935. The vendors are wholly-owned subsidiaries of Easyknit Enterprises;
- (c) the 6 assignments between Chief Access Limited, a wholly-owned subsidiary of the Company, and each of the property vendors in relation to the completion of the purchase of the units located at the Front Portion (No. 311A Prince Edward Road West) & the Rear Portion (No. 311C Prince Edward Road West) of the building situated on the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A & 311C Prince Edward Road West, Kowloon, Hong Kong). One of the assignments was dated 26 April 2010 and the other five assignments were all dated 10 May 2010 for a total consideration of HK\$95,350,000;
- (d) the binding provisional sale and purchase agreement dated 21 September 2010 entered into between Goldchamp International Limited, a wholly-owned subsidiary of the Company, as vendor, Fine View Corporation Limited as purchaser and Midland Realty International Limited as agent in relation to the disposal of a residential property being House No. 11 and the garden appurtenant thereto and car parking spaces nos. 11A & 11B Las Pinadas, No. 33 Shouson Hill Road, Hong Kong for a consideration of HK\$88,500,000, in respect of which the assignment was dated 28 January 2011;

- (e) the underwriting agreement dated 4 January 2011 entered into between Easyknit Enterprises and Kingston Securities Limited in relation to the underwriting and certain other arrangements in respect of the rights issue of 183,562,225 rights share at the subscription price of HK\$0.35 per rights share on the basis of one rights share for every two shares held;
- (f) the conditional undertaking letter dated 4 January 2011 (“2011 Undertaking”) executed by Landmark Profits in favour of Easyknit Enterprises and Kingston Securities Limited in relation to the allotment and issue of 183,562,225 new shares of Easyknit Enterprises under an offer by way of rights to holders of shares in Easyknit Enterprises at HK\$0.35 per rights share on the basis of one Easyknit Enterprises rights share for every two shares in Easyknit Enterprises held (“2011 Easyknit Enterprises Rights Issue”) on the record date of the 2011 Easyknit Enterprises Rights Issue pursuant to which Landmark Profits conditionally undertook, inter alia, that the shares in Easyknit Enterprises held by it on the date of the 2011 Undertaking would remain registered in its name as at 4:00 p.m. on the record date of the 2011 Easyknit Enterprises Rights Issue (i.e. 10 February 2011) and that the Easyknit Enterprises rights shares to be provisionally allotted to Landmark Profits in respect of such shares in Easyknit Enterprises (being 58,197,662 Easyknit Enterprises rights shares) would be taken up and paid for in full by Landmark Profits; and
- (g) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Leung Oi Lin as vendor in relation to the acquisition of a property being the Second Floor of Block B of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$13,300,000;
- (h) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Chan Man Wah as vendor in relation to the acquisition of a property being the Second Floor of Block A of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$10,000,000;
- (i) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Chuang Yung Hua and Lam Shun Ling Pion as vendors in relation to the acquisition of a property being the First Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$7,000,000;

- (j) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Friendly Bright Development Limited as vendor in relation to the acquisition of properties being the Ground Floor of Block A, First Floor of Block A, Ground Floor of Block B and Ground Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$83,000,000;
- (k) the provisional sale and purchase agreement dated 27 April 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Phuong Ngoc Hoa as vendor in relation to the acquisition of a property being the First Floor of Block B of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$18,000,000;
- (l) the formal sale and purchase agreement dated 9 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Leung Oi Lin as vendor in relation to the acquisition of a property being the Second Floor of Block B of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$13,300,000;
- (m) the formal sale and purchase agreement dated 11 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Chan Man Wah as vendor in relation to the acquisition of a property being the Second Floor of Block A of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$10,000,000;
- (n) the formal sale and purchase agreement dated 11 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Chuang Yung Hua and Lam Shun Ling Pion as vendors in relation to the acquisition of a property being the First Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$7,000,000;
- (o) the formal sale and purchase agreement dated 11 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Friendly Bright Development Limited as vendor in relation to the acquisition of properties being the Ground Floor of Block A, First Floor of Block A, Ground Floor of Block B and Ground Floor of Block D of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$83,000,000;

- (p) the formal sale and purchase agreement dated 11 May 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Phuong Ngoc Hoa as vendor in relation to the acquisition of a property being the First Floor of Block B of Nos. 301, 301A-C Prince Edward Road West, Kowloon, Hong Kong for a consideration of HK\$18,000,000;
- (q) the renewal of tenancy agreement dated 15 June 2011 entered into between Easyknit Global Company Limited, a wholly-owned subsidiary of Easyknit Enterprises, as tenant and Wellmake Investments Limited, a wholly-owned subsidiary of the Company, as landlord in respect of the lease of the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (r) the conditional agreement dated 12 September 2011 entered into between Goodco Development Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. Park Jong Yong as vendor in respect of the purchase of 61,775,205 EE Shares at for a consideration of HK\$18,532,561.50; and
- (s) the formal sale and purchase agreement dated 14 December 2011 entered into between Hansford International Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and Profit Choice Enterprises Limited as vendor in relation to the acquisition of a property being 2/F of Block D, 301, 301A-C Prince Edward Road West (also known as 2/F of 301C Prince Edward Road West) for a consideration of HK\$19,800,000.
- (t) the placing agreement dated 21 December 2011 entered into between Goodco Development Limited, a wholly-owned subsidiary of the Company, and Kingston Securities Limited, as the placing agent, to place 47,000,000 EE Shares at a placing price of HK\$0.27 per EE Share.

## **9. GENERAL**

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular prevails over the Chinese text.

#### **10. 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 for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 March 2009, 31 March 2010 and 31 March 2011;
- (c) the interim report of the Company for the six months ended 30 September 2011;
- (d) the annual report of Easyknit Enterprises for each of the three financial years ended 31 March 2009, 31 March 2010 and 31 March 2011;
- (e) the interim report of Easyknit Enterprises for the six months ended 30 September 2011;
- (f) the material contracts referred to in the paragraph headed "Material contracts" above;
- (g) the circular issued by the Company on 3 June 2011 in relation to the major transaction in relation to the proposed acquisition of properties;
- (h) the circular issued by the Company on 30 September 2011 in relation to the (1) the major transaction involving the conditional share purchase from Mr. Park Jong Yong; and (2) very substantial acquisition involving the possible mandatory conditional offer by Altus Investments Limited on behalf of the Company to purchase all the issued shares in the share capital of Easyknit Enterprises (other than those already owned or agreed to be acquired by the Company and parties acting in concert with it); and



- (i) the composite offer document issued by the Company and Easyknit Enterprises dated 21 October 2011 relating to the mandatory conditional offer by Altus Investments Limited on behalf of the Company to purchase all the issued shares in the share capital of Easyknit Enterprises (other than those already owned or agreed to be acquired by the Company and parties acting in concert with it).
  
- (j) this circular.