

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 1218

**VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF COMMERCIAL PROPERTIES**

A letter from the board of directors of Easyknit International Holdings Limited is set out on pages 3 to 9 of this circular.

A notice convening a special general meeting of Easyknit International Holdings Limited to be held on 22 April 2005 at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. is set out on pages 107 to 108 of this circular. Whether or not shareholders are able to attend the special general meeting, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the special general meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the special general meeting or any adjournment thereof in person, should they so wish.

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DEFINITIONS

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

“Agent”	Centaline Property Agency Limited whose registered office is situated at 5th Floor, Tower 1, New World Tower, 18 Queen’s Road Central, Hong Kong
“associate”	the meaning ascribed thereto in the Listing Rules
“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 Stock Exchange and the SGX-ST
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of Property 1 and Property 2 by Vendor 1 and Vendor 2 pursuant to the Provisional Agreement 1 and the Provisional Agreement 2 respectively
“Formal Agreement 1”	the formal sales and purchase agreement to be entered into no later than 3 August 2005 by Vendor 1 and the Purchaser (or her nominee)
“Formal Agreement 2”	the formal sales and purchase agreement to be entered into no later than 3 August 2005 by Vendor 2 and the Purchaser (or her nominee)
“Group”	the Company and its subsidiaries
“Independent Third Party”	a third party independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	31 March 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in it
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property 1”	Shop 19 on Ground Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong
“Property 2”	Shop 20 on Ground Floor and Shop 20 on the First Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong

DEFINITIONS

“Provisional Agreement 1”	the provisional agreement dated 17 February 2005 entered into between the Purchaser, Vendor 1 and the Agent
“Provisional Agreement 2”	the provisional agreement dated 17 February 2005 entered into between the Purchaser, Vendor 2 and the Agent
“Purchaser”	Wong Ching Man, an individual who is an Independent Third Party, or her nominee
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company be convened to approve, amongst other things, the Disposal
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement 1”	the tenancy agreement dated 23 March 2004 entered into between Vendor 1 and Tenant 1
“Tenancy Agreement 2”	the tenancy agreement dated 25 July 2003 entered into between Vendor 2 and Tenant 2
“Tenant 1”	the present tenant of Property 1
“Tenant 2”	the present tenant of Property 2
“Vendor 1”	Victor Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Vendor 2”	Perfect Luck Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Vendors”	Vendor 1 and Vendor 2



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

Executive Directors:

Koon Wing Yee

(President and Chief Executive Officer)

Tsang Yiu Kai

(Vice President)

Lui Yuk Chu

Independent Non-executive Directors:

Wong Sui Wah, Michael

Tsui Chun Kong

Jong Koon Sang

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

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

Unit A, 7th Floor

Hong Kong Spinners Building

Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

6 April 2005

*To the Shareholders and for information only,
the optionholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF COMMERCIAL PROPERTIES**

INTRODUCTION

On 22 February 2005, the Directors announced that on 17 February 2005, the Purchaser and the Vendors entered into two provisional agreements, one for the disposal of Property 1 and one for the disposal of Property 2 at a consideration of HK\$220,000,000 in aggregate. The Disposal constitutes a very substantial disposal for the Company under the Listing Rules. Therefore it is subject to Shareholders' approval under Chapter 14 of the Listing Rules.

** For identification only*

LETTER FROM THE BOARD

THE DISPOSAL

Property 1

Contract date: 17 February 2005

Parties:

Vendor 1: Victor Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

Purchaser: Wong Ching Man, or her nominee. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wong Ching Man is an Independent Third Party.

Agent: Centaline Property Agency Limited whose registered office is situated at 5th Floor, Tower 1, New World Tower, 18 Queen's Road Central, Hong Kong.

Property 1: Shop 19 on Ground Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong.

Summary: This was a disposal of Property 1 at a consideration of HK\$70,000,000. Vendor 1 was selling Property 1 as its owner. The Purchaser (or her nominee) and Vendor 1 will enter into Formal Agreement 1 in relation to the sale and purchase of Property 1 on substantially the same terms as the Provisional Agreement 1 on or before 3 August 2005.

The consideration was reached after arm's length negotiation between the parties with reference to prevailing market rates, i.e. reported sales prices of comparable shop premises in Causeway Bay in recent transactions.

An initial deposit of HK\$2,000,000 was paid in cash by the Purchaser on 17 February 2005. A further deposit of HK\$5,000,000 was paid by the Purchaser on 3 March 2005. Under the Provisional Agreement 1, the balance of the consideration of HK\$63,000,000 will be payable in cash upon completion. Completion of the disposal of Property 1 is expected to take place on or before 3 August 2005.

Property 1 was sold subject to Tenancy Agreement 1. Tenancy Agreement 1 is for a term of 2 years from 13 May 2004 to 12 May 2006 for a monthly rent of HK\$160,000 (exclusive of rates, management fee and other miscellaneous expenses). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Tenant 1 is an Independent Third Party.

Property 1 was the only asset of Vendor 1 and Vendor 1 has no other source of income.

LETTER FROM THE BOARD

The net loss before taxation for the financial year ended 31 March 2003 of Vendor 1 was HK\$6,804,291 and its net loss after taxation was HK\$6,752,291. The net profit before taxation of Vendor 1 for the financial year ended 31 March 2004 was HK\$8,420,716 and its net profit after taxation was HK\$8,080,716. The net book value of Property 1 was HK\$28,000,000 as at 31 March 2003 and HK\$36,000,000 as at 31 March 2004. The net liabilities of Vendor 1 were HK\$6,485,106 as at 31 March 2003 and the net assets were HK\$2,238,250 as at 31 March 2004.

The rental deposit paid by Tenant 1 to Vendor 1 of HK\$480,000 will be deducted from the final payment of the consideration upon completion, which is expected to be on or before 3 August 2005.

Property 2

Contract date: 17 February 2005

Parties:

Vendor 2: Perfect Luck Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

Purchaser: Wong Ching Man or her nominee. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wong Ching Man is an Independent Third Party.

Agent: Centaline Property Agency Limited whose registered office is situated at 5th Floor, Tower 1, New World Tower, 18 Queen's Road Central, Hong Kong.

Property 2: Shop 20 on Ground Floor and Shop 20 on the First Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong

Summary: This was a disposal of Property 2 at a consideration of HK\$150,000,000. Vendor 2 was selling Property 2 as its owner. The Purchaser (or her nominee) and Vendor 2 will enter into Formal Agreement 2 in relation to the sale and purchase of Property 2 on substantially the same terms as the Provisional Agreement 2 on or before 3 August 2005.

The consideration was reached after arm's length negotiation between the parties with reference to the prevailing market rates, i.e. reported sales prices of comparable shop premises in Causeway Bay in recent transactions.

An initial deposit of HK\$4,000,000 was paid in cash by the Purchaser on 17 February 2005. A further deposit of HK\$11,000,000 was paid by the Purchaser on 3 March 2005. Under the Provisional Agreement 2, the balance of the consideration of HK\$135,000,000 will be payable in cash upon completion. Completion of the disposal of Property 2 is expected to take place on or before 3 August 2005.

LETTER FROM THE BOARD

Property 2 was sold subject to Tenancy Agreement 2. Tenancy Agreement 2 is for a term of 3 years from 25 July 2003 to 24 July 2006 for a monthly rent of HK\$285,000 (exclusive of rates, management fee and other miscellaneous expenses). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Tenant 2 is an Independent Third Party.

Property 2 was the only asset of Vendor 2 and Vendor 2 has no other source of income.

The net loss before and after taxation for the financial year ended 31 March 2003 of Vendor 2 was HK\$1,110,175. The net profit before and after taxation for the financial year ended 31 March 2004 of Vendor 2 was HK\$21,481,489. The net book value of Property 2 was HK\$78,000,000 as at 31 March 2003 and HK\$98,000,000 as at 31 March 2004. The net liabilities of Vendor 2 were HK\$175,649,320 as at 31 March 2003 and HK\$154,167,831 as at 31 March 2004.

The rental deposit paid by Tenant 2 to Vendor 2 of HK\$1,140,000 will be deducted from the final payment of the consideration upon completion, which is expected to be on or before 3 August 2005.

CONDITION PRECEDENT

The Purchaser and the Vendors agreed that the Disposal will be binding on the Vendors upon the Company having obtained the Shareholders' approval pursuant to the Listing Rules. The Vendors have to prove a good title to both Property 1 and Property 2 on or before the completion.

TERMINATION

Subject to further agreement between the parties, the completion of the Disposal can be delayed provided that Property 1 and Property 2 are disposed of at the same time, i.e. on the same date of completion which is expected to be on or before 3 August 2005.

If the disposal of either Property 1 or Property 2 is terminated due to the default of either the Vendors or the Purchaser, Provisional Agreement 1 and Provisional Agreement 2 for the disposal of Property 1 and Property 2 respectively will be terminated at the same time, and the Vendors must return the deposit to the Purchaser without interest.

Should any party owing to his own fault fail to complete the sale and purchase of Property 1 and Property 2, the defaulting party shall be responsible for the payment of all the commission of the Agent in the sum of HK\$1,000,000.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company and its subsidiaries are principally engaged in the sourcing and export of cotton-based knitted garments for women, children and infants, and property investment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser (or her nominee(s)) is Independent Third Party.

After deducting the commission to the Agent of HK\$1,000,000 and other expenses in relation to the Disposal such as legal fees, valuation fees and other miscellaneous expenses of approximately HK\$400,000 in aggregate, the net proceeds from the disposal of Property 1 and Property 2 will be approximately HK\$218,600,000. The net proceeds will be applied in or toward repayment of the outstanding mortgage of approximately HK\$25,000,000 in relation to Property 2 and the balance will be used as general working capital. There is no mortgage outstanding on Property 1.

Property 1 and Property 2 were held by the Group for rental purposes under operating leases. According to the valuation conducted by Messrs. Knight Frank, a firm of independent professional property valuers, Property 1 and Property 2 were valued at HK\$36,000,000 and HK\$98,000,000 respectively as at 31 March 2004. The book values of Property 1 and Property 2 were HK\$36,000,000 and HK\$98,000,000 respectively as at 31 March 2004. The Company engaged Knight Frank Hong Kong Limited to revalue Property 1 and Property 2. Property 1 and Property 2 were valued at HK\$220,000,000 in aggregate as at 28 February 2005. The valuation report is included in Appendix V to this circular.

Property 1 and Property 2 are located at a prime business area in the Causeway Bay of Hong Kong. Property 1 has a saleable area of about 278 square feet and Property 2 has a saleable area of about 1,479 square feet. With the recent upturn in Hong Kong's property market, the Directors consider that it is a good opportunity for the Group to dispose of Property 1 and Property 2 with a gain.

The Group is currently holding other properties for rental purposes besides Property 1 and Property 2. The Directors consider that the cash flow of the Group will not be adversely affected by the loss of rental income from Property 1 and Property 2 as a result of the Disposal. At the same time, as the mortgage of Property 2 will be repaid after the Disposal, the Group will be able to save the expenses on interest of the mortgage and improve its gearing ratio as a whole. The Directors believe the Disposal will have no adverse affect on the business of the Group.

The Directors are of the view that the Disposal is in the interest of the Group and is on normal commercial terms, which are fair and reasonable and in the interest of the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

The aggregate book value of the Property 1 and Property 2 was HK\$134,000,000 as at 30 September 2004. The Disposal at a total consideration of HK\$220,000,000 will therefore give rise to a gain of about HK\$86,000,000 (before taxation and related expenses).

As at 30 September 2004, the Group recorded a consolidated net asset value of approximately HK\$785,037,000. The unaudited pro forma consolidated net asset value of the Group as at 30 September 2004 after the Disposal would be approximately HK\$870,037,000. This represents an increase in the unaudited consolidated net asset value of the Group of approximately HK\$85,000,000 (after taking into account the commission to the Agent of HK\$1,000,000) or 10.83%.

Approximately HK\$25,000,000 out of the net proceeds of the Disposal will be used to repay the outstanding mortgage of Property 2. The Group's total bank borrowings (excluding obligations under finance leases) would go down from approximately HK\$216,819,000 as at 30 September 2004 to approximately HK\$191,819,000 after deducting the amount paid towards the outstanding mortgage of approximately HK\$25,000,000. Assuming the Disposal had taken place on 30 September 2004, the Group's gearing ratio, which was calculated on the basis of the total borrowings to the shareholders' fund, would decrease from approximately 0.28 as at 30 September 2004 to approximately 0.22.

The audited gross rental income, profit before and after taxation in respect of Property 1 and Property 2 for the years ended 31 March 2003 and 31 March 2004 are as follows:

Property 1

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income	738	1,272
Profit before taxation	1,079	492
Profit after taxation	739	544

Property 2

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income	2,695	2,933
Profit/(loss) before taxation	1,622	(204)
Profit/(loss) after taxation	1,622	(204)

Please refer to the "Financial Information on the Properties" and the "Unaudited Pro Forma Financial Information" in Appendix I and Appendix III to this circular for further details.

LETTER FROM THE BOARD

GENERAL

The Disposal constitutes a very substantial disposal for the Company under the Listing Rules, therefore it is subject to the Shareholders' approval under Chapter 14 of the Listing Rules.

SGM

A notice convening the SGM to be held on 22 April 2005 at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. is set out on pages 107 to 108 of this circular. Ordinary resolutions will be proposed at the SGM for the Shareholders to approve the Disposal.

To the best knowledge of the Directors, no Shareholder or his associates has a material interest in the Disposal. Therefore no Shareholder is required to abstain from voting at the SGM under the Listing Rules.

A form of proxy for use at the SGM is enclosed. Whether or not Shareholders are able to attend the SGM in person, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the SGM or any adjournment thereof in person, if they so wish.

RECOMMENDATION

The Board believes that the Disposal is fair and reasonable and in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the ordinary resolutions as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

By Order of the Board
Easyknit International Holdings Limited
Koon Wing Yee
President and Chief Executive Officer

1. PROFIT AND LOSS STATEMENT OF PROPERTY 1 AND PROPERTY 2

	<i>Notes</i>	Year ended 31 March			Six months ended 30 September	
		2002	2003	2004	2003	2004
		<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Gross rental income	a	1,562	3,433	4,205	1,496	2,396
Other operating expenses	b	(1,214)	(290)	(113)	(89)	(7)
Interest expense	c	<u>(4,541)</u>	<u>(2,855)</u>	<u>(1,391)</u>	<u>(902)</u>	<u>(224)</u>
Net (expenses) income		<u>(4,193)</u>	<u>288</u>	<u>2,701</u>	<u>505</u>	<u>2,165</u>

Notes:

- a Property 1 and Property 2 were leased to Independent Third Parties.
- b Other operating expenses mainly comprised insurance premium, building management fees, government rent and rates and professional fees.
- c Interest expense represented interest on mortgage loan of Property 1 and Property 2.

Profit and loss statement of Property 1 and Property 2 set out above has been prepared by the Directors based on information shown in the underlying books and records of the Vendors. Since Property 1 was acquired in September 2002 through a wholly owned subsidiary of the Group, no rental income derived from and interest expense incurred for the year ended 31 March 2002.

2. VALUATIONS OF PROPERTY 1 AND PROPERTY 2

	Year ended 31 March			28 February
	2002	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property 1	<u>—</u>	<u>28,000</u>	<u>36,000</u>	<u>70,000</u>
	(<i>Note</i>)			
Property 2	<u>78,000</u>	<u>78,000</u>	<u>98,000</u>	<u>150,000</u>

The valuations are based on the valuation reports issued by Messrs. Knight Frank, a firm of independent professional property valuers.

Note: Since Property 1 was acquired by the Group in September 2002, no valuation of Property 1 for the year ended 31 March 2002 was prepared.

1. INTERIM RESULTS

Set out below are the extracts of the unaudited interim results for the six months ended 30 September 2004 of the Group with comparative figures for the six months ended 30 September 2003. These interim financial statements have been reviewed by the Company's audit committee.

The financial effects of the disposal of the entire issued share capital of Po Cheong International Enterprises Limited as set out below will be subject to adjustment which will only be finalised in the mid of 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

	NOTES	Six months ended 30 September	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover	3	255,711	352,600
Cost of sales		<u>(195,032)</u>	<u>(289,997)</u>
Gross profit		60,679	62,603
Other operating income		2,879	2,352
Unrealised gain on other investments		28,670	—
Distribution costs		(11,335)	(15,830)
Administrative expenses		(27,448)	(34,014)
Allowance for doubtful debts		<u>(4,323)</u>	<u>(3,228)</u>
Profit from operations	3 & 4	49,122	11,883
Unrealised gain on other investments		—	45,986
Gain on disposal of subsidiaries	18	30,884	—
Share of results of associates		2,819	—
Gain on partial disposal of subsidiaries		—	886
Share of results of jointly controlled entities		—	(75)
Finance costs	5	<u>(1,689)</u>	<u>(5,030)</u>
Profit before taxation		81,136	53,650
Taxation	6	<u>(5,230)</u>	<u>(1,873)</u>
Profit before minority interests		75,906	51,777
Minority interests		<u>—</u>	<u>5,612</u>
Net profit for the period		<u>75,906</u>	<u>57,389</u>
Basic earnings per share	7	<u>6.75 HK cents</u>	<u>6.79 HK cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2004

		30 September 2004	31 March 2004
	<i>NOTES</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	9	25,052	39,003
Investment properties	10	479,280	479,280
Permanent textile quota entitlements		123	884
Club debenture		921	921
Interests in associates		6,287	20,788
		<u>511,663</u>	<u>540,876</u>
Current assets			
Properties held for sale		32,801	56,686
Other investments	11	73,404	—
Inventories		7,950	8,355
Consideration receivables on disposal of subsidiaries	12	54,500	79,000
Trade and other receivables	13	233,599	226,713
Amount due from an associate		121	—
Loans receivable		45,325	43,277
Bills receivable		22,650	16,401
Tax recoverable		46	2,467
Bank balances and cash		68,447	67,357
		<u>538,843</u>	<u>500,256</u>

		30 September 2004	31 March 2004
	<i>NOTES</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
Current liabilities			
Trade and other payables	14	30,474	55,778
Bills payable		1,088	704
Tax payable		16,307	15,343
Obligations under finance leases			
- amount due within one year		19	19
Secured borrowings			
- amount due within one year		<u>125,602</u>	<u>150,420</u>
		<u>173,490</u>	<u>222,264</u>
Net current assets		<u>365,353</u>	<u>277,992</u>
		<u>877,016</u>	<u>818,868</u>
Capital and reserves			
Share capital	15	132,367	88,245
Reserves		<u>652,670</u>	<u>578,970</u>
		<u>785,037</u>	<u>667,215</u>
Non-current liabilities			
Obligations under finance leases			
- amount due after one year		8	18
Secured borrowings			
- amount due after one year		91,217	151,125
Deferred taxation	16	<u>754</u>	<u>510</u>
		<u>91,979</u>	<u>151,653</u>
		<u>877,016</u>	<u>818,868</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Share capital	Share premium	Capital reserve	Special reserve	Contributed surplus	Accumulated (losses) profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003	88,245	1,117,131	895,932	9,800	—	(1,584,723)	526,385
Net profit for the year	—	—	—	—	—	140,830	140,830
At 31 March 2004	88,245	1,117,131	895,932	9,800	—	(1,443,893)	667,215
Reductions of share premium and capital reserve and offsetting of accumulated losses (see note 17)	—	(1,117,131)	(895,932)	—	227,555	1,785,508	—
Rights issue of shares at a price of HK\$0.11 per rights share	44,122	4,412	—	—	—	—	48,534
Net profit for the period	—	—	—	—	—	75,906	75,906
Final dividend paid	—	—	—	—	(6,618)	—	(6,618)
At 30 September 2004	<u>132,367</u>	<u>4,412</u>	<u>—</u>	<u>9,800</u>	<u>220,937</u>	<u>417,521</u>	<u>785,037</u>
At 1 April 2003	88,245	1,117,131	895,932	9,800	—	(1,584,723)	526,385
Net profit for the period	—	—	—	—	—	57,389	57,389
At 30 September 2003	<u>88,245</u>	<u>1,117,131</u>	<u>895,932</u>	<u>9,800</u>	<u>—</u>	<u>(1,527,334)</u>	<u>583,774</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(13,891)	16,195
Net cash from (used in) investing activities	42,409	(4,206)
Net cash used in financing activities	<u>(27,428)</u>	<u>(28,917)</u>
Net increase (decrease) in cash and cash equivalents	1,090	(16,928)
Cash and cash equivalents at beginning of the period	<u>67,357</u>	<u>53,808</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>68,447</u>	<u>36,880</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the Group's annual audited financial statements for the year ended 31 March 2004.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four main operating divisions - garment sourcing and export, property investment, investment in securities and loan financing. These divisions are the bases on which the Group reports its primary segment information. The divisions of telecommunications services and related investments and bleaching and dyeing were discontinued in November 2003 and May 2004 respectively.

	Continuing operations			Discontinued operation		Eliminations	Consolidated
	Garment sourcing and export	Property investment	Investment in securities	Loan financing	Bleaching and dyeing		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended							
30 September 2004:							
Turnover							
External	210,803	37,932	—	—	6,976	—	255,711
Inter-segment	—	1,500	—	—	7	(1,507)	—
	<u>210,803</u>	<u>39,432</u>	<u>—</u>	<u>—</u>	<u>6,983</u>	<u>(1,507)</u>	<u>255,711</u>
Result							
Segment result and profit (loss) from operations	<u>6,277</u>	<u>13,408</u>	<u>29,589</u>	<u>755</u>	<u>(258)</u>	<u>(649)</u>	<u>49,122</u>

	Continuing operations				Discontinued operation			Consolidated
	Garment sourcing and export	Property investment	Investment in securities	Loan financing	Tele- communications services and related investments	Bleaching and dyeing	Eliminations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended								
30 September 2003:								
Turnover								
External	309,760	15,341	—	—	1,922	25,577	—	352,600
Inter-segment	—	1,500	—	—	—	—	(1,500)	—
	<u>309,760</u>	<u>16,841</u>	<u>—</u>	<u>—</u>	<u>1,922</u>	<u>25,577</u>	<u>(1,500)</u>	<u>352,600</u>
Result								
Segment result and profit (loss) from operations	<u>18,079</u>	<u>7,922</u>	<u>(339)</u>	<u>2,725</u>	<u>(12,255)</u>	<u>(844)</u>	<u>(3,405)</u>	<u>11,883</u>

4. PROFIT FROM OPERATIONS

Six months ended	
30 September	
2004	2003
HK\$'000	HK\$'000

Profit from operations has been arrived at after charging:

Depreciation and amortisation on:

- property, plant and equipment	961	4,297
- permanent textile quota entitlements	<u>761</u>	<u>453</u>

5. FINANCE COSTS

Six months ended	
30 September	
2004	2003
HK\$'000	HK\$'000

Interest on borrowings:

- wholly repayable within five years	1,689	4,886
- not wholly repayable within five years	<u>—</u>	<u>144</u>
	<u>1,689</u>	<u>5,030</u>

6. TAXATION

	Six months ended 30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	<u>4,986</u>	<u>1,875</u>
Deferred taxation (<i>note 16</i>):		
Current period	244	(23)
Attributable to a change in tax rate	<u>—</u>	<u>21</u>
	<u>244</u>	<u>(2)</u>
Taxation attributable to the Company and its subsidiaries	<u><u>5,230</u></u>	<u><u>1,873</u></u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 September 2003: 17.5%) of the estimated assessable profit for the period.

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic earnings per share	<u><u>75,906</u></u>	<u><u>57,389</u></u>

	Six months ended 30 September	
	2004	2003
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	<u><u>1,124,893,809</u></u>	<u><u>845,033,090</u></u>

The denominator for the purposes of calculating basic earnings per share for the six months ended 30 September 2003 has been adjusted to reflect the rights issue of shares in June 2004.

No diluted earnings per share for the six months ended 30 September 2004 has been disclosed as the Company has no dilutive share options outstanding during the period.

No diluted earnings per share for the six months ended 30 September 2003 had been disclosed as the Company has no dilutive share options outstanding during the period and the exercise prices of the outstanding share options of a former listed subsidiary of the Company were higher than the average price of the shares of that subsidiary.

8. DIVIDEND

During the period, a final dividend of HK0.5 cent per share for the year ended 31 March 2004 (six months ended 30 September 2003: nil) was paid to shareholders.

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2004.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$1,549,000 (six months ended 30 September 2003: HK\$16,482,000) on acquisition of property, plant and equipment and disposed of property, plant and equipment of HK\$14,539,000 (six months ended 30 September 2003: HK\$186,000), of which HK\$14,529,000 (six months ended 30 September 2003: nil) was related to disposal of subsidiaries.

10. INVESTMENT PROPERTIES

In the opinion of the directors of the Company, there is no significant change in the open market value of the Group's investment properties since the last professional valuation as of 31 March 2004.

11. OTHER INVESTMENTS

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong at market value	73,404	—

12. CONSIDERATION RECEIVABLES ON DISPOSAL OF SUBSIDIARIES

The amounts represent the consideration receivables on disposal of the entire issued share capital of the following subsidiaries:

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration receivables on disposal of:		
- Po Cheong International Enterprises Limited ("Po Cheong") (<i>see note 18</i>)	15,000	—
- Touch Profits Limited ("Touch Profits")	39,500	79,000
	<u>54,500</u>	<u>79,000</u>

The repayment terms of the balance in respect of Touch Profits is as follows:

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable:		
On or before 20 July 2004	—	39,500
On or before 20 January 2005	<u>39,500</u>	<u>39,500</u>
	<u>39,500</u>	<u>79,000</u>

The consideration in relation to the disposal of Po Cheong amounted to HK\$65,000,000, of which HK\$50,000,000 was received by the Group in May 2004 and the remaining balance of HK\$15,000,000 shall be received after finalisation of the adjustment (as referred to in the sale and purchase agreement dated 5 March 2004) in the mid of 2005.

13. TRADE AND OTHER RECEIVABLES

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	17,055	55,192
Deposits to suppliers	199,130	166,079
Other receivables	<u>17,414</u>	<u>5,442</u>
	<u>233,599</u>	<u>226,713</u>

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The aged analysis of trade receivables at the reporting date is as follows:

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	10,966	23,722
61 - 90 days	745	3,565
Over 90 days	<u>5,344</u>	<u>27,905</u>
	<u>17,055</u>	<u>55,192</u>

14. TRADE AND OTHER PAYABLES

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

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	13,132	20,703
61 - 90 days	—	1,466
Over 90 days	<u>297</u>	<u>14,941</u>
	<u><u>13,429</u></u>	<u><u>37,110</u></u>

15. SHARE CAPITAL

	Nominal value per share	Number of shares	Amount
	<i>HK\$</i>		<i>HK\$'000</i>
Authorised:			
At 1 April 2003 and 1 April 2004	0.10	30,000,000,000	3,000,000
Reduction of authorised share capital	0.10	<u>(20,000,000,000)</u>	<u>(2,000,000)</u>
At 30 September 2004	0.10	<u><u>10,000,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:			
At 1 April 2003 and 1 April 2004	0.10	882,448,924	88,245
Rights issue of shares at a price of HK\$0.11 per rights share	0.10	<u>441,224,462</u>	<u>44,122</u>
At 30 September 2004	0.10	<u><u>1,323,673,386</u></u>	<u><u>132,367</u></u>

16. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2003	1,912	(1,687)	225
Charge (credit) to the income statement	2,222	(2,245)	(23)
Effect of change in tax rate			
- charge (credit) to the income statement	<u>179</u>	<u>(158)</u>	<u>21</u>
At 30 September 2003	4,313	(4,090)	223
Charge to the income statement	<u>153</u>	<u>134</u>	<u>287</u>
At 31 March 2004	4,466	(3,956)	510
Charge (credit) to the income statement	<u>1,516</u>	<u>(1,272)</u>	<u>244</u>
At 30 September 2004	<u><u>5,982</u></u>	<u><u>(5,228)</u></u>	<u><u>754</u></u>

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

At the reporting date, the deductible temporary differences not recognised were analysed as follows:

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax losses	248,203	320,831
Accelerated accounting depreciation	5,490	109,523
Miscellaneous allowance	<u>8,784</u>	<u>8,784</u>
	<u><u>262,477</u></u>	<u><u>439,138</u></u>

At 30 September 2004, the Group has unused tax losses of HK\$278,077,000 (31.3.2004: HK\$343,437,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$29,874,000 (31.3.2004: HK\$22,606,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$248,203,000 (31.3.2004: HK\$320,831,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except losses of HK\$15,202,000 (31.3.2004: HK\$15,202,000) which will be expired as follows:

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Year of expiry:		
2022	1,821	1,821
2023	2,163	2,163
2024	<u>11,218</u>	<u>11,218</u>
	<u>15,202</u>	<u>15,202</u>

17. RESERVES

As announced by the Company on 26 July 2004, the Company proposed to effect the reductions of certain reserves of the Company as follows:

- (i) the entire amount standing to the credit of the share premium account and the capital reserve account of the Company will be reduced; and
- (ii) part of the credits arising from (i) above in the sum of HK\$1,785,508,000 will be applied to offset the accumulated losses of the Company as at 31 March 2004 in full and the remaining balance of HK\$227,555,000 will be transferred to the contributed surplus account of the Company.

Details of the proposal are set out in the circular dated 30 July 2004 issued by the Company. The resolution approving the proposal was passed at the special general meeting of the Company held on 23 August 2004.

18. DISPOSAL OF SUBSIDIARIES

As announced by the Company on 5 March 2004, the Group conditionally agreed to sell the entire issued shares of Po Cheong, a wholly-owned subsidiary of the Company to a wholly-owned subsidiary of Asia Alliance Holdings Limited ("Asia Alliance"), an associate of the Group, at a consideration of HK\$65,000,000. Po Cheong, together with its subsidiary, is principally engaged in the business of bleaching and dyeing. The consideration shall be satisfied in cash, of which HK\$50,000,000 was received by the Group on 13 May 2004 and the remaining balance of HK\$15,000,000 shall be received after finalisation of the adjustment (as referred to in the sale and purchase agreement dated 5 March 2004) in the mid of 2005. The disposal constituted a discontinued operation of the Group and was completed on 17 May 2004.

The results of the discontinued operations were as follows:

	Six months ended 30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	6,983	25,577
Cost of sales	<u>(6,465)</u>	<u>(24,480)</u>
Gross profit	518	1,097
Other operating income	15	61
Distribution costs	(113)	(535)
Administrative expenses	<u>(678)</u>	<u>(1,467)</u>
Loss from operations	(258)	(844)
Finance costs	<u>(17)</u>	<u>(106)</u>
Loss for the period	<u><u>(275)</u></u>	<u><u>(950)</u></u>

The net assets of the subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of	16,571
Gain on disposal of subsidiaries	
- realised	30,884
- unrealised	<u>17,320</u>
Total consideration	<u><u>64,775</u></u>
Satisfied by:	
Cash consideration	
- Cash received	50,000
- Consideration receivable	15,000
Expenses incurred in connection with the disposal of the subsidiaries	<u>(225)</u>
	<u><u>64,775</u></u>
Net cash inflow arising on disposal:	
Cash received	50,000
Expenses incurred in connection with the disposal of the subsidiaries	(225)
Bank balances and cash disposed of	<u>(423)</u>
	<u><u>49,352</u></u>

19. ACQUISITION OF A SUBSIDIARY

During the period, the Group acquired the entire issued shares of Easyknit Properties Management Limited (“EPML”) from Messrs. Koon Wing Yee and Tsang Yiu Kai, directors of the Company, for a cash consideration of approximately HK\$15,000. Acquisition of the subsidiary was accounted for by the acquisition method of accounting.

	<i>HK\$'000</i>
Net assets acquired	<u>15</u>
Satisfied by:	
Cash (net of negligible expenses incurred in connection with the acquisition)	<u>15</u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(15)
Bank balances and cash acquired	<u>22</u>
	<u>7</u>

The subsidiary acquired did not have any significant impact on the results and cash flows of the Group for the period.

20. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the period, the Group had the following transactions carried out at prices determined by reference to market prices for similar transactions with related parties/persons deemed to be “connected persons” by the Stock Exchange, being entities controlled by certain relatives of Mr. Koon Wing Yee and his spouse, Ms. Lui Yuk Chu, both of whom are directors of the Company:

	Six months ended	
	30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of fabric	683	17,784
Sales of garments	503	348
Bleaching and dyeing charges received	295	745
Purchases of garments	<u>104,777</u>	<u>121,315</u>

At the reporting date, amounts due from these entities comprise:

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	6,569	10,942
Deposits paid	<u>133,824</u>	<u>102,913</u>
Trade and other receivables	<u>140,393</u>	<u>113,855</u>

- (b) On 17 May 2004, the Group disposed of the entire issued shares of Po Cheong to a wholly-owned subsidiary of Asia Alliance at a consideration of HK\$65,000,000. Details of the transaction are set out in note 18.
- (c) On 20 September 2004, Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Messrs. Koon Wing Yee and Tsang Yiu Kai, the directors of the Company, to acquire the entire issued shares of EPML from them at a cash consideration of approximately HK\$15,000.
- (d) Prior to the acquisition of the entire issued shares of EPML, the Group provided administrative services to EPML in which Messrs. Koon Wing Yee and Tsang Yiu Kai, both of whom are directors of the Company, have beneficial interests and received service income of HK\$117,000 (six months ended 30 September 2003: HK\$101,000) from that company. The service income is determined based on mutually agreed terms.
- (e) The Group also provided administrative services to Asia Alliance, a company in which Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu, all of whom are directors of the Company, have beneficial interests, and received service income of HK\$121,000 (six months ended 30 September 2003: nil) from that company. The service income is determined based on mutually agreed terms. At 30 September 2004, the amount has not yet been settled (31.3.2004: nil) and was disclosed as amount due from an associate in the condensed consolidated balance sheet.

21. CONTINGENT LIABILITIES

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	<u>—</u>	<u>5,719</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated income statement of the Group for the three years ended 31 March 2002, 31 March 2003 and 31 March 2004, the audited consolidated balance sheet of the Group as at 31 March 2002, 31 March 2003 and 31 March 2004, the balance sheet of the Company as at 31 March 2003 and 31 March 2004, the consolidated statement of changes in equity and the consolidated cash flow statement for the two years ended 31 March 2003 and 31 March 2004. The information upon which the summary is based has been fully extracted from the annual reports of the Company for the relevant years.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2004

		2004	2003	2002
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>	
Turnover	4	706,044	687,652	694,262
Cost of sales		<u>(567,958)</u>	<u>(540,668)</u>	<u>(563,185)</u>
Gross profit		138,086	146,984	131,077
Other operating income		4,392	3,071	5,023
Distribution costs		(33,330)	(37,797)	(26,617)
Administrative expenses		(74,151)	(61,025)	(50,561)
Reversal of deficit (deficit) arising on revaluation of investment properties		42,500	15,815	(10,270)
Impairment loss recognised in respect of property, plant and equipment		(9,911)	—	(4,439)
Loss on disposal of investment properties		(1,644)	—	—
Impairment loss of goodwill on acquisition of a subsidiary/subsidiaries		(104)	(7,194)	—
Impairment loss of goodwill on acquisition of additional interests in subsidiaries		(3,270)	(364)	—

		2004	2003	2002
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>	<i>HK\$'000</i>
Impairment loss recognised in respect of properties under development		—	—	(2,784)
Profit from operations	7	62,568	59,490	41,429
Unrealised loss on investment in 21CN CyberNet Corporation Limited	8	—	(11,000)	(28,418)
Loss on disposal of investment in 21CN CyberNet Corporation Limited	9	—	(50,456)	—
Gain on disposal of a subsidiary	10	63,950	—	—
Gain on deemed disposal of discontinued operations	6	19,317	—	—
Gain on partial disposal of a subsidiary	11	886	—	—
Income on release of guarantee	12	—	5,000	—
Finance costs	13	(7,855)	(10,128)	(18,329)
Share of results of associates		(3,919)	—	—
Share of results of a jointly controlled entity		(72)	—	—
Profit (loss) before taxation		134,875	(7,094)	(5,318)
Taxation	15	(2,459)	(21,044)	(5,254)
Profit (loss) before minority interests		132,416	(28,138)	(10,572)
Minority interests		8,414	3,267	1,173
Net profit (loss) for the year		<u>140,830</u>	<u>(24,871)</u>	<u>(9,399)</u>
Proposed dividend	16	<u>6,618</u>	<u>—</u>	<u>—</u>
Earnings (loss) per share	17			
Basic		<u>HK\$0.160</u>	<u>HK\$(0.041)</u>	<u>HK\$(0.09)</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2004

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000
Non-current assets				
Property, plant and equipment	19	39,003	40,760	106,106
Investment properties	20	479,280	452,780	328,230
Permanent textile quota entitlements	21	884	2,211	3,762
Club debenture		921	741	741
Interests in associates	23	20,788	—	—
Interests in jointly controlled entities	24	—	1,253	—
		<u>540,876</u>	<u>497,745</u>	<u>438,839</u>
Current assets				
Properties held for sale	25	56,686	89,500	—
Other investments	26	—	20,000	125,849
Inventories	27	8,355	10,770	9,662
Consideration receivable on disposal of a subsidiary	28	79,000	—	—
Trade and other receivables	29	226,713	197,893	164,784
Loans receivable	30	43,277	71,692	10,870
Bills receivable		16,401	17,982	40,070
Tax recoverable		2,467	373	—
Bank balances and cash		<u>67,357</u>	<u>53,808</u>	<u>55,770</u>
		<u>500,256</u>	<u>462,018</u>	<u>407,005</u>
Current liabilities				
Trade and other payables	31	55,778	73,688	67,694
Bills payable		704	—	3,071
Amounts due to jointly controlled entities	24	—	1,234	—
Tax payable		15,343	17,394	9,790
Obligations under finance leases				
- amount due within one year	32	19	19	19
Secured borrowings - amount due within one year	33	<u>150,420</u>	<u>161,483</u>	<u>90,575</u>
		<u>222,264</u>	<u>253,818</u>	<u>171,149</u>

		2004	2003	2002
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>	<i>HK\$'000</i>
Net current assets		<u>277,992</u>	<u>208,200</u>	<u>235,856</u>
		<u>818,868</u>	<u>705,945</u>	<u>674,695</u>
Capital and reserves				
Share capital	34	88,245	88,245	22,061
Reserves		<u>578,970</u>	<u>438,140</u>	<u>450,086</u>
		<u>667,215</u>	<u>526,385</u>	<u>472,147</u>
Minority interests		<u>—</u>	<u>(1,036)</u>	<u>(705)</u>
Non-current liabilities				
Obligations under finance leases - amount due after one year	32	18	38	58
Secured borrowings - amount due after one year	33	151,125	180,333	203,195
Deferred taxation	37	<u>510</u>	<u>225</u>	<u>—</u>
		<u>151,653</u>	<u>180,596</u>	<u>203,253</u>
		<u>818,868</u>	<u>705,945</u>	<u>674,695</u>

BALANCE SHEET*At 31 March 2004*

	<i>NOTES</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Interests in subsidiaries	22	339,492	379,197
Club debenture		<u>921</u>	<u>741</u>
		<u>340,413</u>	<u>379,938</u>
Current assets			
Consideration receivable on disposal of a subsidiary	28	79,000	—
Other receivables		148	154
Bank balances and cash		<u>63,142</u>	<u>27,336</u>
		<u>142,290</u>	<u>27,490</u>
Current liabilities			
Sundry payables		352	430
Amounts due to subsidiaries	22	<u>118,182</u>	<u>56,627</u>
		<u>118,534</u>	<u>57,057</u>
Net current assets (liabilities)		<u>23,756</u>	<u>(29,567)</u>
		<u>364,169</u>	<u>350,371</u>
Capital and reserves			
Share capital	34	88,245	88,245
Reserves	36	<u>275,924</u>	<u>262,126</u>
		<u>364,169</u>	<u>350,371</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note 36)</i>	Special reserve <i>HK\$'000</i> <i>(Note 36)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002						
- as previously reported	22,061	1,103,894	895,932	9,800	(1,559,540)	472,147
- prior period adjustment on adoption of SSAP 12 (Revised) <i>(note 2)</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(312)</u>	<u>(312)</u>
- as restated	22,061	1,103,894	895,932	9,800	(1,559,852)	471,835
Rights issue of shares	66,184	13,237	—	—	—	79,421
Net loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(24,871)</u>	<u>(24,871)</u>
At 31 March 2003	<u>88,245</u>	<u>1,117,131</u>	<u>895,932</u>	<u>9,800</u>	<u>(1,584,723)</u>	<u>526,385</u>
At 1 April 2003						
- as previously reported	88,245	1,117,131	895,932	9,800	(1,584,498)	526,610
- prior period adjustment on adoption of SSAP 12 (Revised)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(225)</u>	<u>(225)</u>
- as restated	88,245	1,117,131	895,932	9,800	(1,584,723)	526,385
Net profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>140,830</u>	<u>140,830</u>
At 31 March 2004	<u>88,245</u>	<u>1,117,131</u>	<u>895,932</u>	<u>9,800</u>	<u>(1,443,893)</u>	<u>667,215</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2004

	2004	2003
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit (loss) before taxation	134,875	(7,094)
Adjustments for:		
Share of results of associates	3,919	—
Share of results of a jointly controlled entity	72	—
Interest income	(3,172)	(2,216)
Interest expense	7,849	10,124
Finance charges on obligations under finance leases	6	4
Depreciation	7,682	4,151
Amortisation of permanent textile quota entitlements	1,305	1,551
Impairment loss of goodwill on acquisition of a subsidiary/subsidiaries	104	7,194
Impairment loss of goodwill on acquisition of additional interests in subsidiaries	3,270	364
Allowance for doubtful debts	1,094	6,353
Reversal of deficit arising on revaluation of investment properties	(42,500)	(15,815)
Allowance for properties held for sale	—	6,080
Impairment loss recognised in respect of property, plant and equipment	9,911	—
Loss on disposal of property, plant and equipment	149	11
Loss on waiver of amount due from a minority shareholder of a subsidiary	117	—
Loss on waiver of loan to a jointly controlled entity	7	—
Gain on disposal of permanent textile quota entitlements	(1)	—
Loss on disposal of investment properties	1,644	—
Gain on partial disposal of a subsidiary	(886)	—
Gain on deemed disposal of discontinued operations	(19,317)	—
Gain on disposal of a subsidiary	(63,950)	—
Unrealised loss on other investments	—	11,000
Loss on disposal of other investments	<u>2,328</u>	<u>50,372</u>
Operating profit before movements in working capital	44,506	72,079
Decrease in properties held for sale	32,814	—
Decrease (increase) in inventories	2,133	(971)
Increase in trade and other receivables	(34,354)	(4,242)
Decrease in bills receivable	1,581	22,088
Decrease in trade and other payables	(14,029)	(31,908)
Increase (decrease) in bills payable	<u>704</u>	<u>(3,071)</u>

	<i>NOTES</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash from operations		33,355	53,975
Interest paid		(7,849)	(10,404)
Finance charges on obligations under finance leases paid		(6)	(4)
Hong Kong Profits Tax paid		<u>(6,319)</u>	<u>(13,900)</u>
Net cash from operating activities		<u>19,181</u>	<u>29,667</u>
Cash flows from investing activities			
Net cash inflow (outflow) from advance of loans		28,415	(60,822)
Repayment of loan from an associate		21,270	—
Proceeds from disposal of other investments		15,877	54,604
Proceeds from disposal of investment properties		14,356	—
Disposal of a subsidiary, net of cash and cash equivalents disposed of	39	4,950	—
Interest received		3,172	2,216
Proceeds from partial disposal of a subsidiary		886	—
Proceeds from disposal of property, plant and equipment		287	5
Proceeds from disposal of permanent textile quota entitlements		23	—
Capital contribution to an associate		(26,723)	—
Purchase of other investments		(18,205)	(10,127)
Deemed disposal of a subsidiary, net of cash and cash equivalents disposed of	40	(17,822)	—
Purchase of property, plant and equipment		(17,465)	(107,958)
Acquisition of additional interests in subsidiaries		(468)	—
Purchase of club debenture		(180)	—
Acquisition of a subsidiary/subsidiaries, net of cash and cash equivalents acquired	38	(72)	(26,215)
Advance to an associate		<u>(16)</u>	<u>—</u>
Net cash from (used in) investing activities		<u>8,285</u>	<u>(148,297)</u>

	<i>NOTES</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash flows from financing activities			
Bank borrowings raised		102,916	169,332
Capital contribution from minority shareholders		22,374	—
Repayment of bank borrowings		(139,187)	(136,065)
Repayment of obligations under finance leases		(20)	(20)
Proceeds from issue of new shares		—	79,421
Other loan raised		—	4,000
		<u> </u>	<u> </u>
Net cash (used in) from financing activities		<u>(13,917)</u>	<u>116,668</u>
Net increase (decrease) in cash and cash equivalents		13,549	(1,962)
Cash and cash equivalents at beginning of the year		<u>53,808</u>	<u>55,770</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash		<u><u>67,357</u></u>	<u><u>53,808</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Singapore Exchange Securities Trading Limited.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and export of cotton based knitted garments for women, children and infants, bleaching and dyeing, and property investments.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the Hong Kong Financial Reporting Standards ("HKFRS") - Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for year 2003 have been restated accordingly. As a result of this change in policy, the balance of accumulated losses at 1 April 2002 has been increased by HK\$312,000, which is the cumulative effect of the change in policy on the results for periods prior to 1 April 2002. The net profit for the year ended 31 March 2004 has been decreased by HK\$285,000 (2003: a decrease of net loss of HK\$87,000).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to the effective date of acquisition or disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, an associate or a jointly controlled entity at the date of acquisition. Goodwill is capitalised and amortised on a straight line basis over its useful economic life.

Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the goodwill/less negative goodwill in so far as it has not already been amortised/released to income, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Income from properties developed for sales is recognised when legal title of the properties is passed. Payments received from purchaser prior to this stage are recorded as deposits received (included in trade and other payables) under current liabilities.

Telecommunications revenue for services provided for fixed periods is recognised on a straight line basis over the respective periods. Other telecommunications revenue is recognised when products are delivered or services are rendered.

Other service income is recognised when services are rendered.

The gain on disposal of permanent or temporary textile quota entitlements is recognised upon execution of a legally binding, unconditional and irrevocable transfer form to the transferee.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the lease terms.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable, except in the case of loans which are deemed to be doubtful at which stage interest accrual ceases.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and any accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 “Property, plant and equipment” (“SSAP 17”) from the requirement to make revaluation on a regular basis of the Group’s leasehold land and buildings, certain of which had been carried at revalued amount prior to the effective date of SSAP 17 and accordingly, no further valuation of these properties is carried out.

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired term of lease
Buildings	Over the duration of the leases or fifty years, whichever is the shorter
Others	5% - 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Leases

Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income derived therefrom being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at 31 March each year. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, any balance on the investment property revaluation reserve which is attributable to that property will be credited to the income statement and included in the determination of the gain or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is twenty years or less.

Textile quota entitlements

Permanent textile quota entitlements purchased from outside parties are stated at cost less accumulated amortisation and any identified impairment losses. The cost of permanent textile quota entitlements is amortised on a straight line basis over a period of five years by equal monthly instalments up to 31 December 2004.

Temporary textile quota entitlements purchased from outside parties are charged to the income statement at the time of utilisation, or in the absence of such utilisation upon the expiry of the relevant utilisation period.

Club debenture

Club debenture, which is held for long-term investment purposes, is stated at cost less any identified impairment losses.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity, which are held-to-maturity debt securities, are measured at amortised cost less any identified impairment losses. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments, as appropriate.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment losses.

Other investments are measured at fair value, with unrealised gains and losses included in the profit or loss for the year.

Properties held for sale

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits costs

The amount of the Group's contributions payable under the Group's retirement benefits schemes is charged to the income statement as and when incurred.

4. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods and properties sold, net of returns, and services rendered by the Group, the total amount of quota income received and receivable from temporary transfer of permanent textile quota entitlements, and rental income received and receivable during the year. An analysis of the Group's turnover is as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations:		
Sales of goods	551,938	579,202
Sales of properties	34,424	—
Quota income	38,947	56,941
Rental income	<u>23,074</u>	<u>19,056</u>
	<u>648,383</u>	<u>655,199</u>
Discontinued/discontinuing operations (<i>see note 6</i>):		
Telecommunications services	1,982	2,664
Bleaching and dyeing services	<u>55,679</u>	<u>29,789</u>
	<u>57,661</u>	<u>32,453</u>
	<u><u>706,044</u></u>	<u><u>687,652</u></u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

For management purposes, the Group is currently organised into four main operating divisions - garment sourcing and export, property investment, investment in securities and loan financing. These divisions are the bases on which the Group reports its primary segment information. The division of telecommunications services and related investments was discontinued in November 2003 and the Group is in the process of discontinuing its bleaching and dyeing business at 31 March 2004 (see note 6).

Segment information about these businesses is presented below:

Year 2004

(i) Income statement

	Continuing operations				Discontinued/ discontinuing operations			Consolidated HK\$'000
	Garment sourcing and export HK\$'000	Property investment HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Tele- communications services and related investments HK\$'000	Bleaching and dyeing HK\$'000	Eliminations HK\$'000	
TURNOVER								
External	590,885	57,498	—	—	1,982	55,679	—	706,044
Inter-segment	—	3,000	—	—	—	68	(3,068)	—
Total	<u>590,885</u>	<u>60,498</u>	<u>—</u>	<u>—</u>	<u>1,982</u>	<u>55,747</u>	<u>(3,068)</u>	<u>706,044</u>
RESULT								
Segment result and profit from operations	<u>36,169</u>	<u>59,130</u>	<u>(2,333)</u>	<u>4,701</u>	<u>(26,274)</u>	<u>(363)</u>	<u>(8,462)</u>	<u>62,568</u>
Gain on disposal of a subsidiary			63,950					63,950
Gain on deemed disposal of discontinued operations					19,317			19,317
Gain on partial disposal of a subsidiary					886			886
Finance costs								(7,855)
Share of results of associates					(3,919)			(3,919)
Share of results of a jointly controlled entity					(72)			(72)
Profit before taxation								134,875
Taxation								<u>(2,459)</u>
Profit before minority interests								132,416
Minority interests								<u>8,414</u>
Net profit for the year								<u>140,830</u>

Notes:

- (a) Inter-segment transactions are charged at prevailing market prices.
- (b) Turnover from garment sourcing and export includes income from temporary transfer of permanent textile quota entitlements of HK\$34,421,000.

(ii) Balance sheet

	Continuing operations			Discontinuing operations		Consolidated HK\$'000
	Garment sourcing and export HK\$'000	Property investment HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Bleaching and dyeing HK\$'000	
	ASSETS					
Segment assets	226,008	540,814	79,000	43,465	37,225	926,512
Interests in associates						20,788
Unallocated corporate assets						93,832
Consolidated total assets						<u>1,041,132</u>
LIABILITIES						
Segment liabilities	31,262	15,433	—	27	12,323	59,045
Unallocated corporate liabilities						314,872
Consolidated total liabilities						<u>373,917</u>

(iii) Other information

	Continuing operations			Discontinued/ discontinuing operations			Consolidated HK\$'000
	Garment sourcing and export HK\$'000	Property investment HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Tele- communications services and related investments HK\$'000	Bleaching and dyeing HK\$'000	
Capital additions	252	10	—	—	12,098	5,105	17,465
Depreciation and amortisation	2,059	430	—	—	4,848	1,650	8,987
Impairment loss recognised in respect of property, plant and equipment	—	—	—	—	9,911	—	9,911
Loss on disposal of investment properties	—	1,644	—	—	—	—	1,644
(Gain) loss on disposal of property, plant and equipment	(94)	—	—	—	243	—	149
Impairment loss of goodwill on acquisition of a subsidiary	—	—	—	—	104	—	104
Impairment loss of goodwill on acquisition of additional interests in subsidiaries	3,270	—	—	—	—	—	3,270
(Reversal of allowance) allowance for doubtful debts	(119)	3	—	—	1,237	(27)	1,094
Loss on waiver of amount due from a minority shareholder of a subsidiary	—	—	—	—	117	—	117
Loss on disposal of other investments	—	—	2,328	—	—	—	2,328

Year 2003

(i) Income statement

	Continuing operations			Discontinued/ discontinuing operations				Consolidated <i>(Restated)</i>
	Garment sourcing and export	Property investment	Investment in securities	Loan financing	Tele- communications services and related investments	Bleaching and dyeing	Eliminations	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
TURNOVER								
External	636,143	19,056	—	—	2,664	29,789	—	687,652
Inter-segment	—	3,144	—	—	—	—	(3,144)	—
Total	<u>636,143</u>	<u>22,200</u>	<u>—</u>	<u>—</u>	<u>2,664</u>	<u>29,789</u>	<u>(3,144)</u>	<u>687,652</u>
RESULT								
Segment result and profit from operations	<u>50,522</u>	<u>27,142</u>	<u>(705)</u>	<u>1,589</u>	<u>(17,898)</u>	<u>(485)</u>	<u>(675)</u>	59,490
Unrealised loss on investment in 21CN <i>(see note 8)</i>			(11,000)					(11,000)
Loss on disposal of investment in 21CN			(50,456)					(50,456)
Income on release of guarantee			5,000					5,000
Finance costs								<u>(10,128)</u>
Loss before taxation								(7,094)
Taxation								<u>(21,044)</u>
Loss before minority interests								(28,138)
Minority interests								<u>3,267</u>
Net loss for the year								<u>(24,871)</u>

Notes:

- (a) Inter-segment transactions are charged at prevailing market prices.
- (b) Turnover from garment sourcing and export includes income from temporary transfer of permanent textile quota entitlements of HK\$50,286,000.

(ii) Balance sheet

	Continuing operations				Discontinued/ discontinuing operations		Consolidated HK\$'000 (Restated)
	Garment sourcing and export HK\$'000	Property investment HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Tele- communications services and related investments HK\$'000	Bleaching and dyeing HK\$'000	
ASSETS							
Segment assets	202,303	543,571	20,000	72,738	9,240	32,403	880,255
Interests in jointly controlled entities	—	—	—	—	1,253	—	1,253
Unallocated corporate assets							78,255
Consolidated total assets							959,763
LIABILITIES							
Segment liabilities	34,722	14,423	10	62	8,284	16,990	74,491
Unallocated corporate liabilities							359,923
Consolidated total liabilities							434,414

(iii) Other information

	Continuing operations				Discontinued/ discontinuing operations		Consolidated HK\$'000
	Garment sourcing and export HK\$'000	Property investment HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Tele- communications services and related investments HK\$'000	Bleaching and dyeing HK\$'000	
Capital additions	21	102,364	—	—	288	5,565	108,238
Depreciation and amortisation	2,549	1,186	—	—	1,070	897	5,702
Loss on disposal of property, plant and equipment	—	—	—	—	—	11	11
Allowance for properties held for sale	—	6,080	—	—	—	—	6,080
Impairment loss of goodwill on acquisition of subsidiaries	—	—	—	—	7,194	—	7,194
Unrealised loss on investment in 21CN	—	—	11,000	—	—	—	11,000
Loss on disposal of investment in 21CN	—	—	50,456	—	—	—	50,456
Impairment loss of goodwill on acquisition of additional interests in subsidiaries	—	—	—	—	—	364	364
Allowance for doubtful debts	4,951	1,022	—	—	—	380	6,353

Geographical segments

An analysis of the Group's turnover by geographical market is as follows:

	Turnover	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	59,480	21,720
The People's Republic of China, excluding Hong Kong (the "PRC")	55,679	29,789
United States of America ("USA")	525,916	576,453
Canada	14,907	23,327
Mexico	13,575	14,951
Europe	36,487	21,064
Others	—	348
	<u>706,044</u>	<u>687,652</u>

An analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	984,484	901,593	12,270	102,673
PRC	38,772	34,142	5,105	5,565
USA	<u>15,409</u>	<u>23,655</u>	<u>90</u>	—
	<u>1,038,665</u>	<u>959,390</u>	<u>17,465</u>	<u>108,238</u>

6. DISCONTINUED/DISCONTINUING OPERATIONS

- (a) Asia Alliance Holdings Limited ("Asia Alliance") (formerly known as i100 Limited) is incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. It was a subsidiary of the Company (see also note 11). In November 2003 and December 2003, Asia Alliance had two placements of new shares of which the Company was not a subscriber. The Group's equity interest in Asia Alliance was diluted from approximately 51.73% immediately before Asia Alliance's first placement of shares to approximately 43.11% immediately after that and further to approximately 35.93% immediately after Asia Alliance's second placement of shares. Asia Alliance ceased to be a subsidiary of the Company and became an associate (see note 23). The Group's business relating to telecommunications services and related investments was since discontinued.

The gain on the deemed disposal amounted to HK\$19,317,000, which was credited to the consolidated income statement.

The results of the discontinued operations were as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1,982	2,664
Cost of sales	<u>(1,703)</u>	<u>(1,271)</u>
Gross profit	279	1,393
Other operating income	442	139
Distribution costs	(11)	(6,818)
Administrative expenses	(16,969)	(5,418)
Impairment loss recognised in respect of property, plant and equipment	(9,911)	—
Impairment loss of goodwill on acquisition of a subsidiary/subsidiaries	<u>(104)</u>	<u>(7,194)</u>
Loss from operations	(26,274)	(17,898)
Finance costs	(353)	—
Share of results of a jointly controlled entity	<u>(72)</u>	<u>—</u>
Loss for the year	<u><u>(26,699)</u></u>	<u><u>(17,898)</u></u>

The carrying amounts of the assets and liabilities of the discontinued operations at the date of the deemed disposal are set out in note 40. The total assets and total liabilities of the discontinued operation amounted to HK\$35,141,000 and HK\$12,284,000 respectively at 31 March 2003.

The net cash flows of the discontinued operations attributable to the Group were as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(13,894)	(11,394)
Net cash used in investing activities	(12,083)	(7)
Net cash from financing activities	<u>22,374</u>	<u>—</u>
Net cash outflow	<u><u>(3,603)</u></u>	<u><u>(11,401)</u></u>

- (b) As announced by the Company on 5 March 2004, the Group conditionally agreed to sell the entire issued shares of Po Cheong International Enterprises Limited (“Po Cheong”), a wholly-owned subsidiary of the Company, to a wholly-owned subsidiary of Asia Alliance at a consideration of HK\$65,000,000. Po Cheong, together with its subsidiary, is principally engaged in the business of bleaching and dyeing. The consideration shall be satisfied in cash, of which HK\$50,000,000 was received by the Group on 13 May 2004 and the remaining balance of HK\$15,000,000 shall be received after finalisation of the adjustment (as referred to in the sale and purchase agreement dated 5 March 2004) in the mid of 2005. The disposal constituted a discontinuing operation of the Group and was completed on 17 May 2004.

The results of the discontinuing operations were as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	55,679	29,789
Cost of sales	<u>(51,731)</u>	<u>(25,176)</u>
Gross profit	3,948	4,613
Other operating income	172	127
Distribution costs	(1,420)	(657)
Administrative expenses	<u>(3,131)</u>	<u>(4,568)</u>
Loss from operations	(431)	(485)
Finance costs	<u>(172)</u>	<u>(30)</u>
Loss for the year	<u><u>(603)</u></u>	<u><u>(515)</u></u>

The carrying amounts of the assets and liabilities of the discontinuing operations were as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	<u><u>38,773</u></u>	<u><u>33,532</u></u>
Total liabilities	<u><u>21,098</u></u>	<u><u>16,990</u></u>

The net cash flows of the discontinuing operations attributable to the Group were as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(5,362)	(1,059)
Net cash used in investing activities	(5,090)	(5,544)
Net cash from (used in) financing activities	<u>9,478</u>	<u>(2,175)</u>
Net cash outflow	<u><u>(974)</u></u>	<u><u>(8,778)</u></u>

7. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>note 14(a)</i>)	7,208	7,018
Other staff costs, including retirement benefits costs	<u>32,094</u>	<u>21,771</u>
Total staff costs	<u>39,302</u>	<u>28,789</u>
Allowance for doubtful debts	1,094	6,353
Allowance for properties held for sale (<i>note a</i>)	—	6,080
Auditors' remuneration:		
- current year	876	635
- underprovision in prior years	56	109
Cost of inventories consumed	523,254	525,477
Cost of properties sold	32,814	—
Depreciation and amortisation on:		
- owned assets	7,662	4,131
- assets held under finance leases	20	20
- permanent textile quota entitlements (<i>note b</i>)	1,305	1,551
Loss on disposal of other investments	2,328	—
Loss on disposal of property, plant and equipment	149	11
Loss on waiver of amount due from a minority shareholder of a subsidiary	117	—
Loss on waiver of loan to a jointly controlled entity	7	—
Purchased temporary textile quota entitlements utilised	7,679	3,276
and after crediting:		
Gain on disposal of other investments	—	84
Gain on disposal of permanent textile quota entitlements	1	—
Interest income	<u>3,172</u>	<u>2,216</u>

Notes:

- (a) The amount is included in cost of sales.
- (b) The amount is included in distribution costs.

8. UNREALISED LOSS ON INVESTMENT IN 21CN CYBERNET CORPORATION LIMITED

The amount represented the unrealised loss on revaluation of the Group's investments in shares of 21CN CyberNet Corporation Limited ("21CN") (now known as CITIC 21CN Company Limited) to fair value at 31 March 2003 (see also note 26(d)).

9. LOSS ON DISPOSAL OF INVESTMENT IN 21CN

The amount represented the loss on disposal of other investments, being shares of 21CN, to an outside party in year 2003 (see also note 26(d)).

10. GAIN ON DISPOSAL OF A SUBSIDIARY

The amount represents the gain on disposal of the entire issued share capital of Touch Profits Limited to an outside party during the year. The principal assets of Touch Profits Limited at the date of disposal are shares of 21CN (see also note 26(e)).

11. GAIN ON PARTIAL DISPOSAL OF A SUBSIDIARY

During the period from June to July 2003 when Asia Alliance was a subsidiary of the Company, the Group disposed of an aggregate of 39,328,000 shares of HK\$0.01 each of Asia Alliance, representing approximately 3.57% of the then issued capital of Asia Alliance. The gain on the partial disposal amounted to HK\$886,000, which was credited to the consolidated income statement.

As a result of the partial disposal, the Group's equity interest in Asia Alliance was reduced from approximately 55.30% to approximately 51.73% (see also note 6(a)).

12. INCOME ON RELEASE OF GUARANTEE

The amount represented income on release of a guarantee in year 2003, details of which are set out in note 26(c).

13. FINANCE COSTS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
- bank borrowings wholly repayable within five years	7,496	10,190
- bank borrowings not wholly repayable within five years	—	184
- other borrowings wholly repayable within five years	353	30
- obligations under finance leases	<u>6</u>	<u>4</u>
Total borrowing costs	7,855	10,408
Less: Amount capitalised in properties under development	<u>—</u>	<u>(280)</u>
	<u><u>7,855</u></u>	<u><u>10,128</u></u>

Borrowing costs capitalised in year 2003 arose on specific borrowing at an average interest rate of 3.6% per annum.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees:		
Executive	—	—
Independent non-executive	<u>200</u>	<u>200</u>
	<u>200</u>	<u>200</u>
Other emoluments paid to executive directors:		
Salaries and other benefits (including benefits in kind of HK\$1,968,000; 2003: HK\$1,238,000)	6,768	6,578
Retirement benefits costs	<u>240</u>	<u>240</u>
	<u>7,008</u>	<u>6,818</u>
Total directors' emoluments	<u><u>7,208</u></u>	<u><u>7,018</u></u>

The emoluments of the directors fall within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	—	2
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$3,000,001 to HK\$3,500,000	<u>1</u>	<u>1</u>
	<u><u>6</u></u>	<u><u>5</u></u>

(b) Information regarding employees' emoluments

The five highest paid individuals of the Group in both years included three executive directors. The emoluments of the remaining two highest paid individuals, not being directors, are as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	1,824	1,327
Retirement benefits costs	<u>—</u>	<u>45</u>
Total employees' emoluments	<u><u>1,824</u></u>	<u><u>1,372</u></u>

The emoluments of these employees fall within the following bands:

	Number of employees	
	2004	2003
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>—</u>
	<u><u>2</u></u>	<u><u>2</u></u>

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss in office. In addition, during both years, no director waived any emoluments.

15. TAXATION

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) comprises:		
Current tax - Hong Kong Profits Tax:		
Current year	2,339	5,938
(Over)underprovision in prior years	<u>(165)</u>	<u>15,193</u>
	<u>2,174</u>	<u>21,131</u>
Deferred taxation (<i>note 37</i>):		
Current year	264	(87)
Attributable to a change in tax rate	<u>21</u>	<u>—</u>
	<u>285</u>	<u>(87)</u>
Tax charge attributable to the Company and its subsidiaries	<u><u>2,459</u></u>	<u><u>21,044</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profit for the year. The effect of the increase in the Hong Kong Profits Tax rate has been reflected in the calculation of the current and deferred tax balances at 31 March 2004.

The tax charge for the year can be reconciled to the results per the consolidated income statement as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation	<u>134,875</u>	<u>(7,094)</u>
Tax charge (credit) of Hong Kong Profits Tax at 17.5% (2003: 16%)	23,603	(1,135)
Tax effect of share of results of associates	686	—
Tax effect of share of results of a jointly controlled entity	13	—
Tax effect of expenses not deductible for tax purpose	13,492	14,616
Tax effect of income not taxable for tax purpose	(28,306)	(3,319)
Tax effect of tax losses not recognised	2,504	1,340
Tax effect of utilisation of tax losses previously not recognised	(6,394)	(3,866)
Tax effect of other deductible temporary differences not recognised	(2,995)	(1,785)
(Over)underprovision in prior years	(165)	15,193
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	<u>21</u>	<u>—</u>
Tax charge for the year	<u>2,459</u>	<u>21,044</u>

16. PROPOSED DIVIDEND

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final dividend of 0.5 HK cent (2003: nil) per ordinary share	<u>6,618</u>	<u>—</u>

The final dividend of 0.5 HK cent per share has been proposed by the directors of the Company and is subject to the followings:

- (a) the passing of a special resolution approving the proposed reductions in certain reserves (as described in note 46(c)) at a special general meeting of the Company to be held prior to the forthcoming annual general meeting; and
- (b) the passing of an ordinary resolution approving the declaration of a final dividend for the year ended 31 March 2004 at the forthcoming annual general meeting.

The amount of the proposed final dividend is calculated on the basis of the proposed dividend rate and the 1,323,673,386 ordinary shares in issue at the date of this report.

17. EARNINGS (LOSS) PER SHARE

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(Restated)</i>
Earnings (loss) for the purposes of basic earnings (loss) per share	<u>140,830</u>	<u>(24,871)</u>
	2004	2003
Number of shares		
Number of shares/weighted average number of shares for the purposes of basic earnings (loss) per share	<u>882,448,924</u>	<u>603,578,288</u>

No diluted earnings per share for year 2004 has been presented as the exercise price of the Company's outstanding share options was higher than the average market price for the year and the exercise prices of the outstanding share options of Asia Alliance were also higher than its average market price.

No reconciliation of 2003 basic loss per share was disclosed as the adjustment to 2003 basic loss per share arising from the adoption of SSAP 12 (Revised) is insignificant.

The calculation of diluted loss per share for year 2003 was not disclosed as the exercise of the Company's outstanding share options would reduce the loss per share for that year and the exercise prices of the outstanding share options of Asia Alliance were higher than its average market price.

18. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions carried out at prices determined by reference to market prices for similar transactions with related parties/persons deemed to be "connected persons" by the Stock Exchange, being entities controlled by certain relatives of Mr. Koon Wing Yee and his spouse, Ms. Lui Yuk Chu, both of whom are directors of the Company:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales of garments	861	2,398
Bleaching and dyeing charges received	27,840	16,969
Rental income	494	—
Purchases of garments	<u>245,849</u>	<u>255,617</u>

At the balance sheet date, amounts due from these entities comprise:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	10,942	17,450
Deposits paid	<u>102,913</u>	<u>71,933</u>
Trade and other receivables	113,855	89,383
Loans and interest receivable	<u>—</u>	<u>3,119</u>
	<u><u>113,855</u></u>	<u><u>92,502</u></u>

The loans were unsecured and bore interest at 2% per annum.

The Group, its principal shareholders and directors of the Company neither control these entities, nor, other than having significant business transactions with these entities, exercise significant influence over these entities in making financial and operating decisions.

Consequent upon the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which took effect on 31 March 2004, the aforesaid entities become "connected persons" and the Company is required to comply with new requirements under the amended Listing Rules relating to transactions with these connected persons. Details of the relevant ongoing connected transactions are set out, inter alia, in the circular of the Company dated 29 June 2004. The relevant agreements in respect of the ongoing connected transactions are subject to shareholders' approval at a special general meeting to be held on 28 July 2004.

- (b) During the year, the Group provided administrative services to Easyknit Properties Management Limited, a company in which Mr. Koon Wing Yee and Mr. Tsang Yiu Kai, both of whom are directors of the Company, have beneficial interests and received service income of HK\$222,000 (2003: HK\$149,000) from that company. The service income is determined based on mutually agreed terms.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST OR VALUATION					
At 1 April 2003	41,384	10,883	20,745	2,860	75,872
Additions	—	3,783	12,956	726	17,465
On deemed disposal of a subsidiary	—	—	(14,991)	(359)	(15,350)
Disposals	—	—	(1,992)	(686)	(2,678)
	<u>41,384</u>	<u>14,666</u>	<u>16,718</u>	<u>2,541</u>	<u>75,309</u>
At 31 March 2004	<u>41,384</u>	<u>14,666</u>	<u>16,718</u>	<u>2,541</u>	<u>75,309</u>
Comprising:					
At cost	12,384	14,666	16,718	2,541	46,309
At valuation - 1995	29,000	—	—	—	29,000
	<u>41,384</u>	<u>14,666</u>	<u>16,718</u>	<u>2,541</u>	<u>75,309</u>
DEPRECIATION AND IMPAIRMENT LOSS					
At 1 April 2003	18,204	893	13,805	2,210	35,112
Provided for the year	241	1,201	6,032	208	7,682
Impairment loss recognised in the year	—	—	9,911	—	9,911
On deemed disposal of a subsidiary	—	—	(14,058)	(99)	(14,157)
Eliminated on disposals	—	—	(1,673)	(569)	(2,242)
	<u>18,445</u>	<u>2,094</u>	<u>14,017</u>	<u>1,750</u>	<u>36,306</u>
At 31 March 2004	<u>18,445</u>	<u>2,094</u>	<u>14,017</u>	<u>1,750</u>	<u>36,306</u>
NET BOOK VALUE					
At 31 March 2004	<u>22,939</u>	<u>12,572</u>	<u>2,701</u>	<u>791</u>	<u>39,003</u>
At 31 March 2003	<u>23,180</u>	<u>9,990</u>	<u>6,940</u>	<u>650</u>	<u>40,760</u>

The Group's leasehold land and buildings are situated in Hong Kong and are held under medium-term leases.

The valuation of certain leasehold land and buildings was carried out by Jones Lang Wootton Ltd., a firm of independent professional property valuers, at 31 October 1994 on an open market value vacant possession basis. Had all leasehold land and buildings been carried at cost less accumulated depreciation, their carrying value would have been stated at HK\$28,003,000 (2003: HK\$28,686,000).

The net book value of property, plant and equipment of the Group included an amount of HK\$38,000 (2003: HK\$58,000) in respect of assets held under finance leases.

During the year ended 31 March 2004, the directors conducted a review of the Group's operating assets and determined that a number of those assets were impaired. Accordingly, an impairment loss of HK\$9,911,000 has been recognised in respect of furniture, fixtures and equipment. The impairment loss was recognised based on the recoverable amounts of furniture, fixtures and equipment which were determined by the estimated discounted net future cash flows from these assets. The carrying amounts of the furniture, fixtures and equipment were reduced to the respective recoverable amounts which were estimated using market borrowing rates.

20. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1 April 2003	452,780
Disposals	(16,000)
Surplus arising on revaluation	<u>42,500</u>
At 31 March 2004	<u><u>479,280</u></u>

The investment properties are held for rental purposes under operating leases. They were revalued at 31 March 2004 by Messrs. Knight Frank, a firm of independent professional property valuers, on an open market existing use basis. This revaluation gives rise to a revaluation surplus of HK\$42,500,000 which was credited to the consolidated income statement to reverse deficit previously charged.

The Group's investment properties comprise properties situated in Hong Kong held under:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long leases	174,000	158,000
Medium-term leases	<u>305,280</u>	<u>294,780</u>
	<u><u>479,280</u></u>	<u><u>452,780</u></u>

21. PERMANENT TEXTILE QUOTA ENTITLEMENTS

	THE GROUP <i>HK\$'000</i>
COST	
At 1 April 2003	232,726
Disposals	<u>(2,345)</u>
At 31 March 2004	<u>230,381</u>
AMORTISATION	
At 1 April 2003	230,515
Provided for the year	1,305
Eliminated on disposals	<u>(2,323)</u>
At 31 March 2004	<u>229,497</u>
CARRYING AMOUNT	
At 31 March 2004	<u>884</u>
At 31 March 2003	<u>2,211</u>

The permanent textile quota entitlements held by the Group are for shipments principally to USA.

22. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	48,577	48,726
Amounts due from subsidiaries	<u>1,755,418</u>	<u>2,235,488</u>
	1,803,995	2,284,214
Less: Allowance	<u>(1,464,503)</u>	<u>(1,905,017)</u>
	<u>339,492</u>	<u>379,197</u>
Amounts due to subsidiaries	<u>(118,182)</u>	<u>(56,627)</u>

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. An aggregate sum of HK\$66,663,000 (2003: HK\$96,681,000) bear interest at the prevailing market rates and the remaining amounts are non-interest bearing. In the opinion of the directors, repayment of the amounts due from subsidiaries will not be demanded by the Company within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets in the balance sheet.

The amounts due to subsidiaries are unsecured and repayable on demand. An amount of HK\$73,163,000 (2003: nil) bears interest at the prevailing market rates and the remaining amounts are non-interest bearing.

Particulars of the Company's principal subsidiaries at 31 March 2004 are set out in note 47.

23. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	<u>20,788</u>	<u>—</u>

Particulars of the Group's principal associates as at 31 March 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Nature of business
Asia Alliance Holdings Limited	Incorporated	Bermuda	Hong Kong	Ordinary	35.93%	Investment holding
Castlebright Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	Provision of management services
Digital Empires Company Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	Provision of computer system consultancy services
Good Fine Technology Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	Wireless communication business, communication solutions consultancy services and Internet operations
i100 Wireless (Hong Kong) Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	Wireless data service provider

* Derived from a 35.93% interest in Asia Alliance whose shares are listed on the Stock Exchange.

The above table lists the associates of the Group, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. The give details of other associates would in the opinion of the directors, result in particulars of excessive length.

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	—	1,231
Loan to a jointly controlled entity	—	22
	<u>—</u>	<u>1,253</u>
	<u>—</u>	<u>(1,234)</u>
Amounts due to jointly controlled entities	—	(1,234)

During the year ended 31 March 2004, a jointly controlled entity became a subsidiary of the Group (see note 38) and the remaining one was struck off.

The balances with jointly controlled entities were unsecured and non-interest bearing.

25. PROPERTIES HELD FOR SALE

The properties held for sales are situated in Hong Kong and are held under medium-term leases. They are stated at net realisable value at the balance sheet date.

26. OTHER INVESTMENTS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong - 21CN, at market value	—	20,000

Notes:

- (a) 21CN is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange.
- (b) As announced by the Company on 15 May 2001, the Company entered into an agreement (the "Sale Shares Agreement") on that day with Best Quarter Investments Limited ("Best Quarter") and Mr. Chan Chin Yuen ("Mr. Chan") to dispose of 211,579,420 shares of HK\$0.01 each in the issued share capital of 21CN (the "Sale Shares") held by a wholly-owned subsidiary of the Company for a consideration of HK\$88,863,356.40 of which HK\$5,000,000 was paid before the date of completion and the balance of HK\$83,863,356.40 shall be paid on 15 May 2002. Best Quarter is a company incorporated in the British Virgin Islands and Mr. Chan was the registered and beneficial owner of the entire issued share capital of Best Quarter. Best Quarter was and Mr. Chan is independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates as defined in the Listing Rules. The consideration was determined with reference to the then market value of shares of 21CN. As at the closing of trading on 15 May 2001, the closing market price of shares of 21CN as quoted on the Stock Exchange was HK\$0.42 per share, which is equivalent to the purchase price per share of the Sale Shares. Best Quarter agreed that within twelve months from the date of completion of the Sale Shares Agreement, it shall not dispose of any of the Sale Shares or any interest or charge

or create or allow to exist any interest in or encumbrance over the interests of Best Quarter and of the Company under the Sale Shares save for mortgage on the Sale Shares as mutually agreed. Mr. Chan agreed to guarantee the performance of Best Quarter's obligations in the Sale Shares Agreement. Completion of the Sale Shares Agreement took place on 1 June 2001.

On 1 June 2001, the Company and Mr. Chan entered into a call option agreement, under which the Company was granted a call option to purchase all but not some of the issued share capital of Best Quarter. The exercise price of the option shall be HK\$95,210,739. This option was exercisable at any time from the date of the call option agreement to 15 May 2002.

The Sale Shares represented approximately 6.92% of the then issued share capital of 21CN. Disposal of the Sale Shares shall be recognised by the Group when the call option to acquire Best Quarter, purchaser of the Sale Shares, lapses on 15 May 2002 and the Group's interest in 21CN would then be reduced from approximately 13.27% at 31 March 2002 to 6.35% (based on 21CN's then capital structure). HK\$5,000,000, being a portion of the consideration for the Sale Shares, received by the Group was therefore shown as deposit received (included in trade and other payables) under current liabilities in the consolidated balance sheet at 31 March 2002.

Details of the above are set out, inter alia, in the circular of the Company dated 5 June 2001.

- (c) As announced by the Company on 7 June 2002, the Company was not paid the remaining consideration of HK\$83,863,356.40 referred to in (b) above on 15 May 2002 by Best Quarter. Pursuant to the Sale Shares Agreement, the Company, after considering the options available, entered into an agreement with Mr. Chan dated 22 May 2002 to acquire from Mr. Chan 1 share of US\$1.00 of Best Quarter, being the entire issued share capital of Best Quarter, and the shareholder loan of HK\$5,000,000 owing by Best Quarter to Mr. Chan. The aggregate consideration amounted to HK\$5,000,008 which shall not be paid in cash but shall instead be satisfied by the delivery to Mr. Chan of a letter under seal from the Company unconditionally releasing the guarantee formerly given by Mr. Chan under the Sale Shares Agreement, which was credited to the income statement in year 2003 (see note 12).

Completion of the above agreement took place on 14 June 2002 following which Best Quarter became a wholly-owned subsidiary of the Company. Disposal of the Sale Shares was therefore not recognised and the Group continued to hold 405,965,700 shares of 21CN.

Details of the above are set out, inter alia, in the circular of the Company dated 28 June 2002.

- (d) As announced by the Company on 12 September 2002, the Company entered into an agreement (the "2002 Sale Shares Agreement") on that day with an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates as defined in the Listing Rules to dispose of an aggregate of 305,965,700 shares of HK\$0.01 each in the issued capital of 21CN (the "2002 Sale Shares") for an aggregate cash consideration of HK\$45,894,855. At 31 March 2003, completion of the 2002 Sale Shares Agreement has taken place and a loss on disposal amounting to HK\$50,456,000 was recognised in the consolidated income statement in year 2003 (see note 9).

At 31 March 2003, the Group held 100,000,000 shares of 21CN, representing approximately 3.22% of the issued ordinary shares of HK\$0.01 each in the capital of 21CN (based on 21 CN's then capital structure). An aggregate unrealised loss of HK\$11,000,000 was recognised in the consolidated income statement in year 2003 (see note 8).

- (e) As announced by the Company on 15 January 2004, the Company entered into an agreement (the “2004 Sale Shares Agreement”) on that day with Fairworld Investments Limited (“Fairworld”) and Mr. Chen Tien Tui (“Mr. T. Chen”) to dispose of the remaining 100,000,000 shares of HK\$0.01 each in the issued share capital of 21CN (the “2004 Sale Shares”) held by Touch Profits Limited, a then wholly-owned subsidiary of the Company, for an aggregate consideration of HK\$84,000,000. Fairworld is a company incorporated in the British Virgin Islands and Mr. T. Chen was the registered and beneficial owner of the entire issued share capital of Fairworld. Fairworld and Mr. T. Chen are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates as defined in the Listing Rules. The consideration was determined with reference to the then market value of shares of 21CN. As at the closing of trading on 14 January 2004, the closing market price of shares of 21CN as quoted on the Stock Exchange was HK\$0.84 per share, which is equivalent to the purchase price per share of the 2004 Sale Shares. The consideration shall be paid by Fairworld in three tranches with (i) HK\$5,000,000 upon completion of the 2004 Sale Shares Agreement; (ii) HK\$39,500,000 on or before 20 July 2004; and (iii) the remaining HK\$39,500,000 on or before 20 January 2005. Mr. T. Chen agreed to guarantee the performance of Fairworld’s obligations in the 2004 Sale Shares Agreement.

Details of the above are set out, inter alia, in the circular of the Company dated 4 February 2004.

On 11 February 2004, the Company served Fairworld and Mr. T. Chen a letter proposing that the sale of the 2004 Sale Shares be effected by way of the sale of the entire issued share capital of US\$1.00 of Touch Profits Limited instead with other terms of the 2004 Sale Shares Agreement remained unchanged. Both Fairworld and Mr. T. Chen accepted the proposal. As at 31 March 2004, completion of the 2004 Sale Shares Agreement has taken place and the Group did not have any interest in the issued share capital of 21CN. Gain on disposal of Touch Profits Limited amounting to HK\$63,950,000 was recognised in the consolidated income statement in the current year (see note 10).

As at the date of this report, the Group has received HK\$44,500,000 in accordance with the terms of the 2004 Sale Shares Agreement. The remaining HK\$39,500,000 of the total consideration shall be paid by Fairworld to the Group on or before 20 January 2005.

27. INVENTORIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	2,145	1,976
Work-in-progress	478	669
Finished goods	<u>5,732</u>	<u>8,125</u>
	<u>8,355</u>	<u>10,770</u>

At 31 March 2003, finished goods of HK\$125,000 were carried at net realisable value.

28. CONSIDERATION RECEIVABLE ON DISPOSAL OF A SUBSIDIARY

The amount represents the consideration receivable on disposal of the entire issued share capital of Touch Profits Limited, the principal assets of which at the date of disposal are shares of 21CN (see note 26(e)). The repayment terms of the balance is as follows:

	THE GROUP AND THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable:		
On or before 20 July 2004	39,500	—
On or before 20 January 2005	<u>39,500</u>	<u>—</u>
	<u><u>79,000</u></u>	<u><u>—</u></u>

As at the date of this report, the sum repayable by 20 July 2004 has been received by the Group.

29. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranged from 30 to 90 days to its trade customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	121,451	156,329
61 - 90 days	17,345	23,626
Over 90 days	<u>82,475</u>	<u>8,311</u>
	<u><u>221,271</u></u>	<u><u>188,266</u></u>

30. LOANS RECEIVABLE

The loans are repayable by instalments within one year. They comprised:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount secured by property interests or listed securities and bearing interest at rates ranging from 2% to 5% (2003: 5% to 8%) per annum	22,200	49,500
Unsecured amount		
- guaranteed by outside parties and bearing interest at rates ranging from 2% to 5% (2003: 2% to 9%) per annum	20,142	17,692
- bearing interest at rates ranging from 4% to 10% (2003: 5% to 10%) per annum	575	4,500
- guaranteed by outside parties and non-interest bearing	360	—
	<u>43,277</u>	<u>71,692</u>

31. TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	20,703	41,122
61 - 90 days	1,466	1,275
Over 90 days	14,941	3,450
	<u>37,110</u>	<u>45,847</u>

32. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	26	26	19	19
Between one to two years	25	26	18	19
Between two to five years	<u>—</u>	<u>25</u>	<u>—</u>	<u>19</u>
	51	77	37	57
Less: Future finance charges	<u>(14)</u>	<u>(20)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>37</u>	<u>57</u>	37	57
Less: Amount due within one year shown under current liabilities			<u>(19)</u>	<u>(19)</u>
Amount due after one year			<u>18</u>	<u>38</u>

33. SECURED BORROWINGS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The amounts represent:		
Bank loans	298,629	337,816
Import loans	2,916	—
Other loan	<u>—</u>	<u>4,000</u>
	301,545	341,816
Less: Amount due within one year shown under current liabilities	<u>(150,420)</u>	<u>(161,483)</u>
Amount due after one year	<u><u>151,125</u></u>	<u><u>180,333</u></u>
The borrowings bear interest at prevailing market rates and are repayable as follows:		
Within one year	150,420	161,483
Between one to two years	82,504	60,483
Between two to five years	68,621	117,529
After five years	<u>—</u>	<u>2,321</u>
	<u><u>301,545</u></u>	<u><u>341,816</u></u>

34. SHARE CAPITAL

	<i>Notes</i>	Nominal value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:				
At 1 April 2002		0.01	300,000,000,000	3,000,000
On consolidation of shares	(a)		<u>(270,000,000,000)</u>	<u>—</u>
At 31 March 2003 and 31 March 2004		0.10	<u>30,000,000,000</u>	<u>3,000,000</u>
Issued and fully paid:				
At 1 April 2002		0.01	2,206,122,318	22,061
On consolidation of shares	(a)		<u>(1,985,510,087)</u>	<u>—</u>
		0.10	220,612,231	22,061
Rights issue of shares at a price of HK\$0.12 per rights share	(b)	0.10	<u>661,836,693</u>	<u>66,184</u>
At 31 March 2003 and 31 March 2004		0.10	<u>882,448,924</u>	<u>88,245</u>

Notes:

- (a) As announced by the Company on 17 July 2002, the Company proposed to effect the share consolidation pursuant to which every ten issued and unissued then existing shares were consolidated into one consolidated share. Details of the share consolidation are set out in the circular dated 31 July 2002 issued by the Company. Ordinary resolutions approving the share consolidation were passed at the special general meeting of the Company held on 22 August 2002.
- (b) Rights issue of 661,836,693 shares of HK\$0.10 each at a subscription price of HK\$0.12 per rights share were allotted on 9 September 2002 to the shareholders of the Company in the proportion of three rights shares for every existing share then held.

The net proceeds of the rights issue was applied for repayment of part of the Group's bank loans, for financing the development of properties in Hong Kong and for general working capital purposes. All shares issued rank pari passu with the then existing shares in issue in all respects.

35. SHARE OPTION SCHEMES

(a) **Share option scheme of the Company:**

The Company has a share option scheme approved at the special general meeting of the Company held on 18 February 2002 (the "Scheme"). Under the Scheme the directors of the Company may at their discretion grant options to executive directors and full time employees of the Company, its subsidiaries, associated companies, controlling shareholders, business partners, joint venture partners, contractors, agents, representatives, suppliers, customers, landlords, tenants, advisers or consultants to subscribe for shares in the Company.

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

The total number of shares in respect of which options may be granted under the Scheme can be increased by not exceeding 10% of the shares of the Company in issue as at the date of the shareholders' approval. The overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

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

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

The offer of the grant of options must be taken up within 30 days from the date of offer. Consideration for each grant of HK\$1 is payable to the Company. Options granted under the Scheme will entitle the holder to subscribe for shares within ten years from the date the option is granted. The subscription price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares on the date of offer. Unless otherwise determined by the directors of the Company, there is no minimum period for which an option must be held before it can be exercised.

A summary of the movements of share options granted during the year ended 31 March 2004 is as follows:

Grantee	Date of grant	Exercise period	Exercise price HK\$	Number of share options			Share price at grant date of options (Note) HK\$
				At 1 April 2003	Granted during the year	At 31 March 2004	
Employees	20 February 2004	20 February 2004 to 19 August 2004	0.144	—	88,000,000	88,000,000	0.143

No share options have been granted to the directors of the Company during the year.

A summary of the movements of share options granted during the year ended 31 March 2003 is as follows:

Grantee	Date of grant	Exercise period	Exercise price	Number of share options (adjusted as appropriate)				Share price at grant date of options (Note)	
				At 1 April 2002	Granted during the year	Adjustments*	Lapsed during the year		At 31 March 2003
			HK\$					HK\$	
Directors	19 June 2002	19 June 2002 to 18 October 2002	0.067	—	11,030,000	(11,030,000)	—	—	0.062
			0.670*	—	—	1,103,000	—	—	
			0.336*	—	—	(1,103,000)	—	—	
Employees	19 June 2002	19 June 2002 to 18 October 2002	0.067	—	99,270,000	(99,270,000)	—	—	0.062
			0.670*	—	—	9,927,000	—	—	
			0.336*	—	—	(9,927,000)	—	—	
			0.336*	—	—	39,708,000	(39,708,000)	—	

* The number of share options and the corresponding exercise price have been adjusted as a result of consolidation and rights issue of shares of the Company during the year ended 31 March 2003.

No share options have been exercised during both years.

The Company received notional consideration for options granted during both years.

Note: The share price at grant date of options shown in the above tables represents the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the trading day immediately preceding the date of offer of the options.

(b) **Share option schemes of Asia Alliance:**

Asia Alliance became a subsidiary of the Company with effect from 28 January 2003 and became an associate in December 2003.

On 21 August 1991, Asia Alliance approved a share option scheme (the "1991 Share Option Scheme") which was terminated by an ordinary resolution of its shareholders at the annual general meeting held on 22 May 2001 but the subsisting options granted thereunder prior to its termination remain valid and exercisable in accordance with the terms of the 1991 Share Option Scheme.

On 22 May 2001, Asia Alliance approved a share option scheme (the "2001 Share Option Scheme") which was terminated by an ordinary resolution of its shareholders at the annual general meeting held on 6 June 2002 but the subsisting options granted thereunder prior to the termination remain valid and exercisable in accordance with the terms of the 2001 Share Option Scheme.

On 6 June 2002, a new share option scheme (the "2002 Share Option Scheme") was approved by the shareholders of Asia Alliance. Under the terms of the 2002 Share Option Scheme, the board of directors of Asia Alliance may, at their discretion, grant options to any employee (full-time and part-time), director, supplier, consultant or advisor of any member of Asia Alliance Group to subscribe for shares in Asia Alliance subject to the terms and conditions stipulated therein. No share options have been granted under the 2002 Share Option Scheme since its adoption.

The 2002 Share Option Scheme is for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Asia Alliance Group's operations.

The maximum number of shares which may be issued under the 2002 Share Option Scheme must not (when aggregate with any shares subject to any other share option scheme of Asia Alliance) exceed 10% of the shares in issue at the date of adoption of the 2002 Share Option Scheme.

The maximum number of shares issuable under share options to each eligible participant in the 2002 Share Option Scheme within any 12-month period, is limited to 1% of the shares of Asia Alliance in issue at any time. Any further grant to share options in excess of this limit is subject to shareholders' approval in a general meeting of Asia Alliance.

The exercise period of the share options granted is determined by the board of directors of Asia Alliance, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the option. The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

The exercise price in respect of any particular option of the 2002 Share Option Scheme may be determined by the board of directors of Asia Alliance in their absolute discretion and notified to each offeree but may not be less than the highest of (i) the closing price of Asia Alliance's shares on the date of offer, which must be a business day; (ii) the average closing price of Asia Alliance's shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of Asia Alliance's shares on the date of offer.

The 2002 Share Option Scheme is valid during the period of 10 years commencing 6 June 2002, unless otherwise cancelled or amended.

A summary of the movements of share options granted to employees of Asia Alliance during the year ended 31 March 2004 is as follows:

Date of grant	Exercise period	Exercise price HK\$ (note iii)	Number of share options (adjusted as appropriate)			At 31 March 2004	Share price at grant date of options HK\$ (note iv)
			At 1 April 2003	Adjustments*	Lapsed during the year		
2 August 2000 (note i)	2 August 2001 to 1 August 2010	0.75	595,000	(245,000)	(350,000)	—	0.80
		20.00*	—	9,187	(1,687)	—	—
		3.333*	—	45,000	—	45,000	—
26 March 2001 (note i)	26 March 2002 to 25 March 2011	0.385	725,000	(275,000)	(450,000)	—	0.39
		10.267*	—	10,312	(937)	—	—
		1.711*	—	56,250	—	56,250	—
31 August 2001 (note i)	31 August 2002 to 30 August 2011	0.4032	1,928,000	(1,128,000)	(800,000)	—	0.50
		10.752*	—	42,300	(2,625)	—	—
		1.792*	—	238,050	—	238,050	—
31 August 2001 (note ii)	31 August 2001 to 30 August 2011	0.4032	25,000,000	(25,000,000)	—	—	0.50
		10.752*	—	937,500	—	—	—
		1.792*	—	(937,500)	—	—	—
			<u>28,248,000</u>	<u>(20,678,451)</u>	<u>(1,605,249)</u>	<u>5,964,300</u>	

* The number of share options and the corresponding exercise price have been adjusted as a result of share consolidation and rights issue of shares of Asia Alliance during the year ended 31 March 2004.

A summary of the movements of share options granted to employees of Asia Alliance during the year ended 31 March 2003 is as follows:

Date of grant	Exercise period	Exercise price HK\$ (note iii)	Number of share options			Share price at grant date HK\$ (note iv)
			At 1 April 2002	Lapsed during the year	At 31 March 2003	
2 August 2000 (note i)	2 August 2001 to 1 August 2010	0.7500	3,475,000	(2,880,000)	595,000	0.800
6 October 2000 (note i)	6 October 2001 to 5 October 2010	0.4700	1,540,000	(1,540,000)	—	0.560
26 March 2001 (note i)	26 March 2002 to 25 March 2011	0.3850	6,875,000	(6,150,000)	725,000	0.390
31 August 2001 (note i)	31 August 2002 to 30 August 2011	0.4032	12,736,000	(10,808,000)	1,928,000	0.500
31 August 2001 (note ii)	31 August 2001 to 30 August 2011	0.4032	25,000,000	—	25,000,000	0.500
			<u>49,626,000</u>	<u>(21,378,000)</u>	<u>28,248,000</u>	

Notes:

- (i) The vesting period is the period of three years after the date of grant. One-third of the share options become exercisable after 12 months from the date of grant, and after the subsequent 18 months, 24 months, 30 months and 36 months from the date of grant, further one-sixth of the options become exercisable.
- (ii) The vesting period is the period from the date of grant to six months after the date of grant. Half of the share options are exercisable from the date of grant and the remaining half becomes exercisable after 6 months from the date of grant.
- (iii) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of Asia Alliance.
- (iv) The share price at grant date of options represents the closing price of shares of Asia Alliance as stated on the daily quotations sheets issued by the Stock Exchange on the trading day immediately preceding the date of grant of the options.

No share options have been granted or exercised during both years.

The financial impact of share options granted by the Company is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

36. RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1 April 2002	1,103,894	895,932	48,369	(1,740,963)	307,232
Premium arising from issue of new shares during the year	13,237	—	—	—	13,237
Net loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(58,343)</u>	<u>(58,343)</u>
At 31 March 2003	1,117,131	895,932	48,369	(1,799,306)	262,126
Net profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,798</u>	<u>13,798</u>
At 31 March 2004	<u>1,117,131</u>	<u>895,932</u>	<u>48,369</u>	<u>(1,785,508)</u>	<u>275,924</u>

The capital reserve of the Company and the Group represents the credit arising from the reduction of the share capital of the Company in 1999 and 2002.

The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation in 1995.

Under the laws in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company has no distributable reserve at the balance sheet date of both years.

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital and share premium of the companies now forming the Group pursuant to the group reorganisation prior to the listing of the Company's shares in 1995.

At 31 March 2004, the accumulated losses of the Group include losses of HK\$3,919,000 (2003: nil) attributable to the associates.

37. DEFERRED TAXATION

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

	THE GROUP		
	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002			
- as previously reported	—	—	—
- prior period adjustment on adoption of SSAP 12 (Revised) (<i>see note 2</i>)	<u>963</u>	<u>(651)</u>	<u>312</u>
- as restated	963	(651)	312
Charge (credit) to the income statement	<u>949</u>	<u>(1,036)</u>	<u>(87)</u>
At 31 March 2003	1,912	(1,687)	225
Charge (credit) to the income statement	2,375	(2,111)	264
Effect of change in tax rate			
- charge (credit) to the income statement	<u>179</u>	<u>(158)</u>	<u>21</u>
At 31 March 2004	<u><u>4,466</u></u>	<u><u>(3,956)</u></u>	<u><u>510</u></u>

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

At the balance sheet date, deductible temporary differences not recognised in the financial statements were analysed into:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Tax losses	320,831	360,261
Accelerated accounting depreciation	109,523	132,461
Miscellaneous allowance	<u>8,784</u>	<u>2,963</u>
	<u><u>439,138</u></u>	<u><u>495,685</u></u>

At 31 March 2004, the Group has unused tax losses of HK\$343,437,000 (2003: HK\$370,805,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$22,606,000 (2003: HK\$10,544,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$320,831,000 (2003: HK\$360,261,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except losses of HK\$15,202,000 (2003: HK\$3,984,000) which will expire as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Year of expiry		
2022	1,821	1,821
2023	2,163	2,163
2024	<u>11,218</u>	<u>—</u>
	<u>15,202</u>	<u>3,984</u>

Other deductible temporary differences of HK\$118,307,000 (2003: HK\$135,424,000) have not been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 March 2004, the Company has unused tax losses of HK\$3,934,000 (2003: HK\$8,552,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profits streams.

38. ACQUISITION OF A SUBSIDIARY/SUBSIDIARIES

During the year ended 31 March 2004, the Group acquired an additional interest of 45% of the issued share capital of Vector Entertainment Corporation (“Vector”) for a cash consideration of approximately HK\$1.0 million. Vector was previously a jointly controlled entity of the Group in which the Group had a 45% equity interest amounting to HK\$954,000. Acquisition of the subsidiary was accounted for by the acquisition method of accounting.

During the year ended 31 March 2003, the Group acquired 55.3% of the issued share capital of Asia Alliance and the entire equity interest of Victor Investment Limited for consideration of approximately HK\$6.1 million and HK\$18.7 million, respectively. Acquisition of these subsidiaries was accounted for by the acquisition method of accounting. The goodwill of HK\$7,194,000 arising as a result of the acquisition was charged to the consolidated income statement in year 2003 as the estimated recoverable amount from business operation of the subsidiaries acquired was less than the carrying amount. The recoverable amount from business operations was estimated based on cashflow forecast discounted at market borrowing rate.

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired		
Property, plant and equipment	—	4,947
Investment properties	—	29,951
Interests in jointly controlled entities	—	1,253
Inventories	—	137
Trade and other receivables	—	36,432
Amounts due from shareholders	1,131	—
Bank balances and cash	971	1,732
Trade and other payables	—	(40,107)
Amount due to a jointly controlled entity	—	(1,234)
Bank loans	—	(10,779)
Minority interests	(209)	(1,579)
	<u>1,893</u>	<u>20,753</u>
Goodwill on acquisition	<u>104</u>	<u>7,194</u>
Total consideration	<u><u>1,997</u></u>	<u><u>27,947</u></u>
Satisfied by:		
Cash	1,043	24,758
Reclassification of interest in a jointly controlled entity	954	—
Expenses incurred in connection with acquisitions	—	3,189
	<u><u>1,997</u></u>	<u><u>27,947</u></u>
Net cash outflow arising on acquisition:		
Cash consideration paid	(1,043)	(24,758)
Expenses incurred in connection with acquisitions	—	(3,189)
Bank balances and cash acquired	<u>971</u>	<u>1,732</u>
Net cash outflow of cash and cash equivalents in respect of the purchase of a subsidiary/subsidiaries	<u><u>(72)</u></u>	<u><u>(26,215)</u></u>

The subsidiary acquired during the year ended 31 March 2004 did not have any significant impact on the results and cash flows of the Group.

The subsidiaries acquired during the year ended 31 March 2003 contributed HK\$3,406,000 to the Group's turnover and incurred loss from operations of HK\$10,039,000.

39. DISPOSAL OF A SUBSIDIARY

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets disposed of:		
Other investments	20,000	—
Gain on disposal of a subsidiary	<u>63,950</u>	<u>—</u>
	<u>83,950</u>	<u>—</u>
Satisfied by:		
Cash consideration		
- Cash received	5,000	—
- Consideration receivable	79,000	—
Expenses incurred in connection with the disposal of a subsidiary	<u>(50)</u>	<u>—</u>
	<u>83,950</u>	<u>—</u>
Net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary:		
Cash received	5,000	—
Expenses incurred in connection with the disposal of a subsidiary	<u>(50)</u>	<u>—</u>
	<u>4,950</u>	<u>—</u>

The subsidiary disposed of during the year did not have any significant impact on the results and cash flows of the Group.

40. DEEMED DISPOSAL OF A SUBSIDIARY

	2004 HK\$'000	2003 HK\$'000
Net liabilities released:		
Property, plant and equipment	1,193	—
Interests in associates	20	—
Inventories	282	—
Trade and other receivables	4,440	—
Bank balances and cash	17,822	—
Secured other loan	(4,000)	—
Trade and other payables	(3,881)	—
Loan from a related company	(21,270)	—
Minority interests	<u>(15,935)</u>	<u>—</u>
	(21,329)	—
Gain on deemed disposal of a subsidiary	<u>19,317</u>	<u>—</u>
	<u>(2,012)</u>	<u>—</u>
Represented by:		
Interests in associates - share of net liabilities	<u>(2,012)</u>	<u>—</u>
Cash outflow of cash and cash equivalents in connection with the deemed disposal of a subsidiary:		
Bank balances and cash disposal of	<u>(17,822)</u>	<u>—</u>

The results and cashflows of the subsidiary deemed to be disposed of during the year are set out in note 6(a).

41. PLEDGE OF ASSETS

At 31 March 2004, leasehold land and buildings, and investment properties with carrying amount of HK\$9,558,000 and HK\$478,400,000, respectively, have been pledged to banks to secure the bank borrowings granted to the Group.

At 31 March 2003, leasehold land and buildings, investment properties and properties held for sale with carrying amount of HK\$9,753,000, HK\$451,900,000 and HK\$89,500,000, respectively, have been pledged to banks to secure the bank borrowings granted to the Group. In addition, the entire issued capital of i100 Wireless Corporation, a then non wholly-owned subsidiary of the Company, has been pledged to an outside party to secure the other loan granted to the Group.

42. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bills discounted with recourse	5,719	13,460	—	—
Corporate guarantees given to banks in respect of credit facilities granted to subsidiaries	—	—	301,545	337,816
	<u>5,719</u>	<u>13,460</u>	<u>301,545</u>	<u>337,816</u>

43. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
- acquisition of property, plant and equipment	—	3,085
- capital injection for interests in jointly controlled entities and non wholly-owned subsidiaries	—	24,342
	<u>—</u>	<u>27,427</u>

The Company had no significant capital commitments at the balance sheet date.

44. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Minimum lease payments recognised in the consolidated income statement during the year	<u>3,164</u>	<u>2,992</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,993	4,009
In the second to fifth year inclusive	7,952	8,292
After five years	<u>1,795</u>	<u>2,693</u>
	<u><u>13,740</u></u>	<u><u>14,994</u></u>

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for an average term of two to ten years.

Under the leases entered into by the Group, the lease payments are fixed and no arrangements have been entered into for contingent rental payments.

The Group as lessor

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property rental income earned during the year	23,074	19,056
Less: Outgoings	<u>(703)</u>	<u>(558)</u>
Net rental income	<u><u>22,371</u></u>	<u><u>18,498</u></u>

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

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	21,448	14,378
In the second to fifth year inclusive	<u>18,451</u>	<u>14,492</u>
	<u><u>39,899</u></u>	<u><u>28,870</u></u>

Under the leases entered into by the Group, the rental payments are fixed and no arrangements have been entered into for contingent rental payments. The properties held have committed tenants for a term of one to three years.

The Company had no significant lease commitments at the balance sheet date.

45. RETIREMENT BENEFITS SCHEMES

The Group had defined contribution retirement scheme (the “Retirement Scheme”) for its employees and the assets of the Retirement Scheme are held under provident funds managed by independent trustees. With effect from 1 December 2000, the Retirement Scheme has become a “Top Up” scheme to supplement the minimum benefit under the mandatory provident fund scheme (the “MPF Scheme”) for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of the employee’s monthly salaries or up to a maximum of HK\$1,000 (the “mandatory contributions”). The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The aggregate employers’ contributions, net of forfeited contributions, which have been dealt with in the consolidated income statement were as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross employers’ contributions	835	852
Less: Forfeited contributions utilised to offset employers’ contributions for the year	<u>(61)</u>	<u>(26)</u>
Net employers’ contributions charged to the consolidated income statement	<u><u>774</u></u>	<u><u>826</u></u>

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

46. POST BALANCE SHEET EVENTS

The following events took place subsequent to 31 March 2004:

- (a) As announced by the Company on 11 May 2004, the Company proposed a rights issue of 441,224,462 rights shares of HK\$0.10 each at a subscription price of HK\$0.11 per rights share in the proportion of one rights share for every two shares held. Details of this are set out, inter alia, in the prospectus of the Company dated 7 June 2004.
- (b) As announced by the Company on 20 May 2004, the Company proposed a reduction in its authorised share capital from HK\$3,000,000,000 to HK\$1,000,000,000 by the diminution of 20,000,000,000 authorised but unissued shares of HK\$0.10 each. This proposal is subject to shareholders’ approval at a special general meeting to be held on 28 July 2004. Details of this are set out, inter alia, in the circular of the Company dated 29 June 2004.

- (c) As announced by the Company on 26 July 2004, the Company proposed to effect the reductions of certain reserves of the Company as follow:
- (i) the entire amount standing to the credit of the share premium account and the capital reserve account of the Company will be reduced; and
- (ii) part of the credits arising from (i) above in the sum of HK\$1,785,508,000 will be applied to offset the accumulated losses of the Company as at 31 March 2004 in full and the remaining balance of HK\$227,555,000 will be transferred to the contributed surplus account of the Company.

The above proposal is subject to shareholders' approval at a special general meeting to be held prior to the forthcoming annual general meeting.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Cheong Ko Investment Company Limited	Hong Kong	Ordinary HK\$2 (Non-voting preferred HK\$10,000)*	—	100%	Property holding
Easyknit BVI Limited	British Virgin Islands/ Hong Kong	Ordinary US\$100	100%	—	Investment holding
Easyknit International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	Investment holding
Easyknit International Trading Company Limited	Hong Kong	Ordinary HK\$2	—	100%	Trading of garments
Easyknit Properties Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1,000	100%	—	Investment holding
Easyknit Trading Company Limited	Hong Kong	Ordinary HK\$2	—	100%	Trading of garments
Golden Top Properties Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Grand Profit Development Limited	Hong Kong	Ordinary HK\$2	—	100%	Trading of garments
Janson Properties Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Landmark Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	Investment holding

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Mark Profit Development Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding and property development
Mary Mac Apparel Inc.	USA	Common stock US\$200,000	—	100%	Garment distribution
Perfect Luck Development Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Planetic International Limited	Hong Kong	Ordinary HK\$2	—	100%	Finance company
Po Cheong International Enterprises Limited	Hong Kong	Ordinary HK\$90	—	100%	Investment holding
Victor Investment Limited	Hong Kong	Ordinary HK\$1,001	—	100%	Property holding
Wellmake Investments Limited	Hong Kong	Ordinary HK\$9,998 (Non-voting deferred HK\$2)*	—	100%	Property holding
東莞永耀漂染有限公司 ("Wing Yiu")**	PRC	Registered HK\$11,260,000	—	100%	Bleaching and dyeing

* The non-voting preferred shares of Cheong Ko Investment Company Limited and the non-voting deferred shares of Wellmake Investments Limited carry no rights to receive notice of, attend or vote at any general meeting and have very limited rights to participate in a distribution of profits and, on liquidation, to the repayment of the amount paid up on the shares.

** Wing Yiu is a wholly foreign owned enterprise established in the PRC, to be operated for ten years up to 20 August 2011.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 March 2004.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)	
Turnover	<u>676,028</u>	<u>659,887</u>	<u>694,262</u>	<u>687,652</u>	<u>706,044</u>
Profit (loss) before taxation	20,772	157,961	(5,318)	(7,094)	134,875
Taxation	<u>(5,768)</u>	<u>(14,650)</u>	<u>(5,254)</u>	<u>(21,044)</u>	<u>(2,459)</u>
Profit (loss) before minority interests	15,004	143,311	(10,572)	(28,138)	132,416
Minority interests	<u>17,294</u>	<u>—</u>	<u>1,173</u>	<u>3,267</u>	<u>8,414</u>
Net profit (loss) for the year	<u>32,298</u>	<u>143,311</u>	<u>(9,399)</u>	<u>(24,871)</u>	<u>140,830</u>

ASSETS AND LIABILITIES

	At 31 March				
	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)	
Total assets	1,160,619	773,672	845,844	959,763	1,041,132
Total liabilities	(961,750)	(427,658)	(374,402)	(434,414)	(373,917)
Minority interests	<u>(21,157)</u>	<u>—</u>	<u>705</u>	<u>1,036</u>	<u>—</u>
Shareholders' funds	<u>177,712</u>	<u>346,014</u>	<u>472,147</u>	<u>526,385</u>	<u>667,215</u>

Note: As set out in note 2 to the financial statements, the Group adopted SSAP 12 (Revised) during the year ended 31 March 2004. Comparative amounts for year 2003 have been restated accordingly. Comparative amounts for other years are not restated.

SUMMARY OF PROPERTIES

As at 31 March 2004

A. INVESTMENT PROPERTIES

Location	Purpose	Approximate gross area (sq. ft.)	Lease term
1. Easy Tower Nos. 609-611 Tai Nan West Street, Cheung Sha Wan, Kowloon	Industrial/ commercial	74,458	Medium
2. Shops 1, 2, 3 on Ground Floor together with showcase on Ground Floor, First Floor and Second Floor of Fa Yuen Plaza, Nos. 19 Fa Yuen Street, Mong Kok, Kowloon	Commercial	13,544	Medium
3. 6th Floor, Nos. 650-652 Castle Peak Road, and No. 18A Wing Hong Street, Kowloon	Industrial	11,000	Medium
4. 2nd Floor, Nos. 790, 792 and 794 Cheung Sha Wan Road, Kowloon	Industrial	3,600	Medium
5. Shop 19 on Ground Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong	Commercial	278	Long
6. Shop 20 on Ground Floor and Shop 20 on First Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong	Commercial	1,904	Long
7. Ground Floor, No. 50 Yun Ping Road, Causeway Bay, Hong Kong	Commercial	900	Long

Location	Purpose	Approximate gross area (sq. ft.)	Lease term
8. Ground Floor and Cockloft No. 31 Granville Road, Tsim Sha Tsui, Kowloon	Commercial	2,000	Medium
9. Shop on Ground Floor together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kwun Tong, Kowloon	Commercial	1,220	Medium

B. PROPERTIES HELD FOR SALE

Location	Purpose	Approximate gross area (sq. ft.)	Percentage of interest	Lease term
Upper Floors Residential Units of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mongkok, Kowloon	Residential	17,574	100%	Medium

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information of the Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the very substantial disposal (the “Disposal”) of investment properties situated at Shop 19 on Ground Floor and Shop 20 on Ground Floor and First Floor of The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong (the “Properties”).

The unaudited pro forma financial information of the Group is based on the unaudited consolidated financial statements of the Group for the six months ended 30 September 2004, which has been extracted from the interim report of the Company for the six months ended 30 September 2004, adjusted for the transaction resulting from the Disposal. Narrative descriptions of the unaudited pro forma adjustments of the Disposal that are (i) directly attributable to the Disposal; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma financial information of the Group is based on a number of assumptions, estimates and uncertainties. The accompanying unaudited pro forma financial information of the Group does not purport to describe the actual financial position of the Group that would have been attained had the Disposal been completed. The unaudited pro forma financial information of the Group does not purport to predict the future financial position of the Group.

The unaudited pro forma financial information of the Group should be read in conjunction with the historical financial information of the Group as set out in the interim report of the Company for the six months ended 30 September 2004 and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT

As at 30 September 2004

The following is the unaudited pro forma consolidated net assets statement of the Group assuming that the Properties had been disposed of as at 30 September 2004. The unaudited pro forma consolidated net assets statement was prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2004 which has been extracted from the interim report of the Company for the six months ended 30 September 2004 with adjustments to reflect the effect of the Disposal.

The unaudited pro forma consolidated net assets statement was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group at any dates.

	As at 30 September 2004 HK\$'000 (Unaudited)	Pro forma adjustments HK\$'000	Notes	Pro forma balances HK\$'000
Non-current assets				
Property, plant and equipment	25,052	—		25,052
Investment properties	479,280	(134,000)	(a)	345,280
Permanent textile quota entitlements	123	—		123
Club debenture	921	—		921
Interests in associates	6,287	—		6,287
	<u>511,663</u>	<u>(134,000)</u>		<u>377,663</u>
Current assets				
Properties held for sale	32,801	—		32,801
Other investments	73,404	—		73,404
Inventories	7,950	—		7,950
Consideration receivables on disposal of subsidiaries	54,500	—		54,500
Trade and other receivables	233,599	—		233,599
Amount due from an associate	121	—		121
Loans receivable	45,325	—		45,325
Bills receivable	22,650	—		22,650
Tax recoverable	46	—		46
Bank balances and cash	68,447	192,380	(c) & (d)	260,827
	<u>538,843</u>	<u>192,380</u>		<u>731,223</u>
Current liabilities				
Trade and other payables	30,474	(1,620)	(c)	28,854
Bills payable	1,088	—		1,088
Tax payable	16,307	460	(b)	16,767
Obligations under finance leases				
- amount due within one year	19	—		19
Secured borrowings				
- amount due within one year	125,602	(7,422)	(d)	118,180
	<u>173,490</u>	<u>(8,582)</u>		<u>164,908</u>
Net current assets	<u>365,353</u>	<u>200,962</u>		<u>566,315</u>
Total assets less current liabilities	<u>877,016</u>	<u>66,962</u>		<u>943,978</u>
Non-current liabilities				
Obligations under finance leases				
- amount due after one year	8	—		8
Secured borrowings				
- amount due after one year	91,217	(17,578)	(d)	73,639
Deferred taxation	754	(460)	(b)	294
	<u>91,979</u>	<u>(18,038)</u>		<u>73,941</u>
Net assets	<u>785,037</u>	<u>85,000</u>		<u>870,037</u>

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

The following is the unaudited pro forma consolidated income statement of the Group assuming that the Properties had been disposed of as at 1 April 2004. The unaudited pro forma consolidated income statement was prepared based on the unaudited consolidated income statement of the Group for the six months ended 30 September 2004 which has been extracted from the interim report of the Company for the six months ended 30 September 2004 with adjustments to reflect the effect of the Disposal.

The unaudited pro forma consolidated income statement was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Group for any financial periods.

	Six months ended 30 September 2004 <i>HK\$'000</i> <i>(Unaudited)</i>	Pro forma adjustments <i>HK\$'000</i>	<i>Notes</i>	Pro forma figures <i>HK\$'000</i>
Turnover	255,711	(2,396)	(e)	253,315
Cost of sales	(195,032)	—		(195,032)
Gross profit	60,679	(2,396)		58,283
Other operating income	2,879	—		2,879
Unrealised gain on other investments	28,670	—		28,670
Distribution costs	(11,335)	—		(11,335)
Administrative expenses	(27,448)	7	(f)	(27,441)
Allowance for doubtful debts	(4,323)	—		(4,323)
Profit from operations	49,122	(2,389)		46,733
Gain on disposal of subsidiaries	30,884	—		30,884
Share of results of associates	2,819	—		2,819
Finance costs	(1,689)	224	(g)	(1,465)
Profit before taxation	81,136	(2,165)		78,971
Taxation	(5,230)	—		(5,230)
Net profit for the period	<u>75,906</u>	<u>(2,165)</u>		<u>73,741</u>

Notes:

- (a) The adjustment reflects the disposal of the Properties with carrying amounts of HK\$134,000,000.
- (b) The adjustment reflects the tax effect including Hong Kong Profits Tax and deferred taxation upon the disposal of the Properties.
- (c) The adjustment reflects the transfer of rental deposit amounted to approximately HK\$1,620,000 received from the tenants of the Properties to the purchaser.
- (d) The adjustment reflects the net sales proceeds from the disposal of the Properties of approximately HK\$219,000,000 of which approximately HK\$25,000,000 will be used to repay the mortgage loan of the Property and the remaining balance will be used as general working capital.
- (e) The adjustment reflects the decrease in rental income of approximately HK\$2,396,000 received from the tenants of the Properties for the period from 1 April 2004 to 30 September 2004 in respect of the leasing of the Properties.
- (f) The adjustment reflects the decrease in the direct expenses of approximately HK\$7,000 incurred by the Properties.
- (g) The adjustment reflects the decrease in the interest expense of approximately HK\$224,000 had the mortgage loan mentioned in note (d) been repaid as at 1 April 2004.
- (h) The adjustments in notes (b), (e), (f) and (g) have a continuing effect on the Group.
- (i) The unaudited proforma consolidated income statement has not recognised any additional income the Group may have earned from the excess of the net sales proceeds on the disposal of the Properties after the repayment of the mortgage loan as mentioned in note (d).



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6 April 2005

The Directors
Easyknit International Holdings Limited
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Easyknit International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix III to the circular of the Company dated 6 April 2005 (the “Circular”) issued by the Company in connection with the very substantial disposal (the “Disposal”) of investment properties situated at Shop 19 on Ground Floor and Shop 20 on Ground Floor and First Floor of The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong (the “Properties”), which has been prepared by the directors of the Company (the “Directors”), for illustrative purpose only, to provide information about how the Disposal might have affected the financial information presented.

Responsibilities

It is solely the responsibility of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and, accordingly, we do not express such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the basis set out in Appendix III to the Circular for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Group as at 30 September 2004 or at any date and the results of the Group for the six months ended 30 September 2004 or for any financial periods.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. WORKING CAPITAL

The Directors are of the opinion that, with the internal resources, existing banking facilities available and expected net proceeds from the Disposal, the Group has sufficient working capital for its present requirements.

2. INDEBTEDNESS

At the close of business on 28 February 2005, being the latest practicable date for ascertaining this indebtedness prior to the printing of this circular, the Group had in aggregate outstanding bank borrowings of approximately HK\$206,700,000, comprising bank loans of approximately HK\$195,400,000 and import loans of approximately HK\$11,300,000, which were secured by certain properties of the Group, which include leasehold land and buildings with net book value of approximately HK\$9,400,000 and investment properties of approximately HK\$478,400,000. In addition, the Group had outstanding at that date obligations under finance leases of approximately HK\$20,000. As at 28 February 2005, the Group had contingent liabilities in respect of outstanding bills discounted with recourse of approximately HK\$2,100,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 28 February 2005 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at 28 February 2005 (ie. US\$1.00 = HK\$7.76).

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 28 February 2005.

3. MATERIAL CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position or prospect of the Group since 31 March 2004, the date to which the latest published audited financial statements of the Group were made up.

4. COMMENTARY ON PRO FORMA FINANCIAL INFORMATION

The following commentary on the Group refers to the unaudited pro forma consolidated net assets statement and pro forma consolidated income statement of the Group as included in Appendix III to this circular.

Review of Operations

Excluding the rental income derived from Property 1 and Property 2, the Group's turnover for the six months ended 30 September 2004 amounted to approximately HK\$253,315,000 (2003: approximately HK\$352,600,000) representing a decrease of approximately 28.2% when compared with the corresponding period of last year.

Assuming that Property 1 and Property 2 were disposed of, the rental income for the six months ended 30 September 2004 will be decreased by approximately HK\$2,396,000. There will be no significant impact on the other segments' results.

Liquidity and Financial Resources

Assuming completion of the Disposal had taken place, the Group's bank balances and cash amounted to approximately HK\$260,827,000.

Taking into account the repayment of the mortgage of Property 2 of approximately HK\$25,000,000 out of the proceeds of the Disposal, the Group had bank borrowings (excluding obligations under finance leases) of approximately HK\$191,819,000, of which approximately 61.6% being short-term borrowings and approximately 38.4% being long-term borrowings. All loans are secured and denominated in Hong Kong dollars with prevailing market interest rates. The Group's borrowings are mostly event driven, with little seasonality.

The Group's current ratio, as a ratio of current assets to current liabilities, was approximately 4.4. The gearing ratio, as a ratio of the total bank borrowings to the shareholders' fund, was approximately 0.22 subsequent to the Disposal.

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 period under review. Hence, no financial instrument for hedging purposes was employed.

Capital Structure

The Group had no debt securities or other capital instruments as at 30 September 2004 and up to the date of this circular.

Material Disposal

In May 2004, the Group disposed of the entire issued share capital of Po Cheong International Enterprises Limited, a then wholly-owned subsidiary of the Company, to a wholly-owned subsidiary of Asia Alliance Holdings Limited at a consideration of HK\$65,000,000, of which HK\$50,000,000 was received on 13 May 2004 and the remaining balance of HK\$ 15,000,000 shall be receivable after finalisation of the adjustment (as described in the joint announcement of the Company and Asia Alliance Holdings Limited dated 5 March 2004) in the mid of 2005. As the Group's bleaching and dyeing business was conducted only through Po Cheong International Enterprises Limited and its subsidiary, the Group is no longer engaged in that business after the disposal (except through its interest in Asia Alliance Holdings Limited).

Charges on Group's Assets

As at 30 September 2004, assuming that Property 1 and Property 2 had been disposed of, leasehold land and buildings, and investment properties with carrying amount of approximately HK\$9,448,000 and approximately HK\$344,400,000, respectively, were pledged to banks to secure the bank borrowings granted to the Group.

Capital Expenditure and Capital Commitments

During the six months ended 30 September 2004, the Group spent approximately HK\$1,549,000 on the acquisition of property, plant and equipment.

The Group had no capital commitments as at 30 September 2004.

Contingent Liabilities

The Group had no contingent liabilities as at 30 September 2004 (31 March 2004: approximately HK\$5,719,000).

Assuming completion of the Disposal and the repayment of the mortgage of Property 2 of approximately HK\$25,000,000 had taken place, as at 30 September 2004, the Group's banking facilities utilised to the extent of approximately HK\$191,819,000 (31 March 2004: approximately HK\$301,545,000) were supported by the Company's corporate guarantees given to the banks.

Significant Investment

As at 30 September 2004, the Group had investments in Hong Kong listed equity securities with an aggregate market value of approximately HK\$73,404,000. These securities were purchased during the period under review at a total cost of approximately HK\$44,734,000.

Future Plan for Material Investments

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

Employment and Remuneration Policy

As at 30 September 2004, the number of employees of the Group in Hong Kong and the United States (the "US") was about 60 and 14 respectively. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has adopted the Mandatory Provident Fund for the Hong Kong 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.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the six months ended 30 September 2004 (the “Period”), the Group recorded a turnover of approximately HK\$255,711,000, representing a decrease of approximately 27.5% as compared to approximately HK\$352,600,000 for the same period last year. The decrease was mainly attributable to the change in the product mix of the Group to sell more garments for infants, which entails a lower price than selling garments for women. Net profit attributable to Shareholders rose approximately 32.3% to approximately HK\$75,906,000 as compared with a net profit of approximately HK\$57,389,000 for the corresponding period in 2003.

In May 2004, the Group disposed of its bleaching and dyeing business. Consequently, it was principally engaging in sourcing and exporting of cotton-based knitted garments for women, children and infants and property investment during the Period. The short-term outlook of the garment sourcing and export business of the Group remains uncertain. To prevent the Chinese imports from flooding the US market and harming their textile industry after the expiration of the textile quotas on 1 January 2005, the US government may impose stringent import restrictions on a variety of Chinese textile products. We will constantly monitor the market conditions and adjust accordingly. The Group, armed with the well-developed sales network and sound business relationship with its clients, will also endeavour to expand its market share in the US and promote its brand name of “Mary Mac” targeting the fast growing PRC market through its office in New York.

The Group is sanguine about the outlook of the local property market, anticipating progressive improvement in consumer and investor sentiment with the encouraging land auction results, implementation of the Closer Economic Partnership Agreement and further extension of the “Individual Visit Scheme” for Mainland visitors. Rental income from the investment properties is expected to rise, especially for the retail shops located in prime retail areas like Tsim Sha Tsui and Mongkok, which are likely to achieve a better growth in turnover. The Group will prudently seek opportunities for property investment or development to benefit from the growing economy and to enhance the Shareholders’ returns.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular, received from Knight Frank Hong Kong Limited, an independent valuer, in connection with its valuation on the Property 1 and the Property 2 as at 28 February 2005.



萊坊國際物業顧問

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www.knightfrank.com

6 April 2005

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

Dear Sirs,

In accordance with your instructions for us to value the property as per the attached valuation certificate which is held by Easyknit International Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) for investment, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the property as at 28 February 2005.

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

Our valuation specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and lease back arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

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

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

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

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

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
KNIGHT FRANK HONG KONG LIMITED
Catherine Cheung
MHKIS MRICS RPS(GP)
Assistant Director

Note: Ms. Catherine Cheung has extensive valuation experience for various types of properties in Hong Kong and the People's Republic of China

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2005
Shop Unit Nos. 19 and 20 on Ground Floor and Shop Unit No. 20 on First Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong.	The subject property comprises two adjoining shop units on the Ground Floor and a shop unit on the First Floor of a 3-storey shopping plaza known as Excelsior Plaza completed in 1972 with subsequent renovation.	The property is subject to two tenancies with the latest tenancy expiring in July 2006 at a total rent of HK\$445,000 per month exclusive of rates and management fees.	HK\$220,000,000
14,996/19,032nd shares of and in Sub-section 2 of Section G of Marine Lot No. 52 and the Extension thereto.	The saleable area of the property is approximately as follows:- Shop No. 19 on Ground Floor: 278 sq.ft. Shop No. 20 on Ground Floor: 551 sq.ft. Shop No. 20 on First Floor: 928 sq.ft. The property is held under a Government lease and an Extension Letter for a term of 999 years from 25 June 1843. The Government rent for Section G of Marine Lot No. 52 and the Extension thereto is HK\$526 per annum.		

Notes:

- (1) The registered owner of Shop No. 19 is Victor Investment Limited whilst that for Shop No. 20 is Perfect Luck Development Limited.
- (2) Shop No. 20 is subject to a mortgage to secure general banking facilities and a rent assignment both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3) The breakdown of the valuation is shown as follows:

(i)	Shop Unit No. 19 on Ground Floor	HK\$70,000,000
(ii)	Shop Unit No. 20 on Ground Floor and First Floor	HK\$150,000,000

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in this circular misleading.

2. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to bye-law 70 of the bye-laws of the Company, a poll may be demanded at any general meeting (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):

- (i) by at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

If a poll is demanded as aforesaid, it shall (apart from the election of a chairman of a meeting of Shareholders or on any question of adjournment which shall be taken at the meeting and without adjournment) be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was demanded, as the chairman presiding at the meeting of Shareholders directs. No notice need to be given of a poll not taken immediately. The result of a poll shall be deemed to be the resolution of the meeting at which the poll is demanded. The demand for a poll may be withdrawn, with the consent of the chairman of the meeting, at any time before the close of the meeting at which the poll is demanded or the taking of the poll, whichever is earlier.

On a poll a Shareholder entitled to more than one vote need not use all his votes or cast his votes in the same way.

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) 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 and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

A. Interests in the Company

Name of Director	Nature of interest	Number of issued Shares (long position)	Approximate percentage
Mr. Koon Wing Yee (<i>Note</i>)	Interest of spouse	486,324,678	36.74
Ms. Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	486,324,678	36.74
Mr. Tsang Yiu Kai	Beneficial owner	149,993	0.01

Note: These Shares relate to the same block of Shares in the Company. They were registered in the name of and were beneficially owned by Magical Profits Limited, which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 486,324,678 Shares by virtue of the SFO.

B. Interests in associated corporations

(1) *Asia Alliance Holdings Limited* (“Asia Alliance”)

Name of Director	Nature of interest	Number of ordinary shares (long position)	Approximate percentage
Mr. Koon Wing Yee (<i>Note</i>)	Interest of spouse	128,259,324	35.93
Ms. Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	128,259,324	35.93

Note: These shares relate to the same block of shares in Asia Alliance. They were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 128,259,324 shares by virtue of the SFO.

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

Name of Director	Nature of interest	Number of non-voting deferred share (long position)	Approximate percentage
Mr. Koon Wing Yee	Beneficial owner	1	50
Ms. Lui Yuk Chu	Beneficial owner	1	50

Note: All the issued ordinary shares which carry the voting rights in the share capital of Wellmake were held by the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Director or chief executive of the Company or his respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) 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 and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Save as publicly disclosed, none of the Directors is interested directly or indirectly in any assets which have been since 31 March 2004 (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.

Save as disclosed in the section headed “Material Contracts” in this appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors nor any of his/her respective associates had any competing interest which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling Shareholder.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following are those persons (the “Substantial Shareholders”) (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general 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	Nature of interest	Number of issued Shares (long position)	Approximate percentage
Magical Profits Limited (Notes 1 & 2)	Beneficial owner	486,324,678	36.74
Accumulate More Profits Limited (Notes 1 & 3)	Interest of controlled corporation	486,324,678	36.74
Trustcorp Limited (Note 1)	Trustee	486,324,678	36.74

Notes:

- These Shares relate to the same block of Shares in the Company. They were registered in the name of and were beneficially owned by Magical Profits Limited, which was a wholly-owned subsidiary by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and her family members other than spouse).
- Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited.
- Mr. Koon Wing Yee, being a Director, is also a director of Accumulate More Profits Limited.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware of any person, other than a Director or chief executive of the Company, who, as at the Latest Practicable Date, had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, 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 member of the Group or had any options in respect of such capital.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (a) an agreement dated 15 January 2004 entered into between the Company as vendor, Fairworld Investments Limited as purchaser and Mr. Chen Tien Tui as warrantor relating to the sale and purchase of 100,000,000 shares of HK\$0.01 each in the capital of 21CN CyberNet Corporation Limited (now known as CITIC 21CN Company Limited) for an aggregate consideration of HK\$84,000,000;
- (b) an agreement dated 5 March 2004 entered into between Best Ability Limited as purchaser and Easyknit International Trading Company Limited (a wholly-owned subsidiary of the Company) as vendor in relation to the sale and purchase of the entire issued share capital of Po Cheong International Enterprises Limited (“Po Cheong”) (a then wholly-owned subsidiary of the Company) for an aggregate consideration of HK\$65,000,000;
- (c) a deed of release dated 5 March 2004 issued by the Company in favour of Po Cheong in relation to the release and discharge of a loan extended by the Company to Po Cheong in the sum of HK\$19,236,185.14 as at 31 December 2003;
- (d) an underwriting agreement dated 29 April 2004 entered into between the Company and Get Nice Investment Limited in relation to the underwriting and certain other arrangements in respect of a rights issue of the Company; and
- (e) the Provisional Agreement 1 and the Provisional Agreement 2.

6. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that, there has not been any material adverse change in the financial or trading position of the Group since 31 March 2004, being the date to which the latest published audited consolidated accounts of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance pending or threatened against any member of the Group.

8. QUALIFICATIONS OF EXPERTS

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

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Knight Frank Hong Kong Limited	Professional Property Valuers

Each of Deloitte Touche Tohmatsu and Knight Frank Hong Kong Limited has given and has not withdrawn its written consent to the issue of the circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Deloitte Touche Tohmatsu nor Knight Frank Hong Kong Limited had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of Deloitte Touche Tohmatsu nor Knight Frank Hong Kong Limited had any direct or indirect interests in any assets which have been, since 31 March 2004 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

9. SERVICE CONTRACTS

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

10. GENERAL

- (a) The secretary of the Company is Mr. Tsang Yiu Kai, FHKICPA, FCCA, AHKIT, CGA, CPA.
- (b) The qualified accountant of the Company is Mr. Tsang Yiu Kai, FHKICPA, FCCA, AHKIT, CGA, CPA.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda and the principal place of business of the Company in Hong Kong is at Unit A, 7 Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

- (e) The English text of this circular and the accompanying form of proxy prevails over the Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong up to and including 22 April 2005:

- (a) the letter from Deloitte Touche Tohmatsu, the text of which is set out on pages 91 to 92 in this circular;
- (b) the written consent from Deloitte Touche Tohmatsu referred to in paragraph 8 of this appendix;
- (c) the letter from Knight Frank Hong Kong Limited, the text of which is set out on pages 97 to 99 in this circular;
- (d) the written consent from Knight Frank Hong Kong Limited referred to in paragraph 8 of this appendix;
- (e) the Provisional Agreement 1 and Provisional Agreement 2;
- (f) the Company's bye-laws;
- (g) the annual reports of the Company for the two years ended 31 March 2003 and 31 March 2004;
- (h) the interim report of the Company for the six months ended 30 September 2004;
- (i) the circular of the Company dated 29 June 2004 regarding the ongoing connected transactions, reduction in authorised share capital and adoption of new bye-laws of the Company; and
- (j) the material contracts referred to in the section headed "Material Contracts" in this appendix.



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Easyknit International Holdings Limited (the “Company”) will be held on 22 April 2005 at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** (a) the provisional agreement dated 17 February 2005 entered into between Wong Ching Man, Centaline Property Agency Limited and Victor Investment Limited, a wholly-owned subsidiary of the Company (copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification); and (b) the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and that the directors of the Company are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with the disposal of Property 1 (as defined in the circular of the Company dated 6 April 2005).”
2. **“THAT** (a) the provisional agreement dated 17 February 2005 entered into between Wong Ching Man, Centaline Property Agency Limited and Perfect Luck Development Limited, a wholly-owned subsidiary of the Company (copy of which has been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification); and (b) the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and that the directors of the Company are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with the disposal of Property 2 (as defined in the circular of the Company dated 6 April 2005).”

By Order of the Board
Easyknit International Holdings Limited
Koon Wing Yee
President and Chief Executive Officer

Hong Kong, 6 April 2005

** For identification only*

NOTICE OF SGM

Notes:

1. A form of proxy for use at the meeting is enclosed with the circular of the Company dated 6 April 2005. Any shareholder entitled to attend and vote at the meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be delivered to the Company's principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting (as the case may be) at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. Completion and return of the instrument appointing a proxy will not preclude shareholders from attending and voting in person at the meeting convened by the above notice or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

As at the date of this notice, the board of directors of the Company comprises Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu as executive directors and Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong and Mr. Jong Koon Sang as independent non-executive directors.