THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Easyknit International Holdings Limited (the "Company"), you should at once hand this circular and the accompanying 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 transferee.

This circular is addressed to the shareholders of the Company in connection with a special general meeting of the Company to be held on Monday, 16 October 2006. This circular is not an offer of, nor is it intended to invite offers for, shares in or other securities of the Company.

EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

PROPOSED CAPITAL REORGANISATION AND PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD

Underwriter of the Rights Issue

結好投資有限公司
GET NICE INVESTMENT LTD.

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

ACCESS CAPITAL

It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain force majeure events. The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on the Settlement Date if:

1. there occurs:
   (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
   (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the USA or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
   (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

   and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or
2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
3. the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter, shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
4. the Prospectus Documents when published, contain information which would be untrue or inaccurate in any material respect and the Company has failed to send out promptly any announcements or circulars (after the despatch of this circular or the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

If the Underwriter exercises such right, the Rights Issue will not proceed. Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither the Underwriter nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses payable under it (other than the underwriting commission).

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 6 October 2006. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 19 October 2006 to Thursday, 26 October 2006 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any dealing in the Adjusted Shares or nil-paid Rights Shares during the period from Thursday, 19 October 2006 to Thursday, 26 October 2006 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A notice convening the SGM of the Shareholders of the Company to be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. on Monday, 16 October 2006 is set out on pages 119 to 121 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit 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 and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you wish.

A letter of advice from Access Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company, is set out on pages 31 to 46 of this circular.

* *For identification only*

22 September 2006

CONTENTS

DEFINITIONS

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

"Acceptance Date"	1 November 2006 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment of, Rights Shares)
"Access Capital"	Access Capital Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company, and is the independent financial adviser to the Independent Board Committee and the Independent Shareholders
"Adjusted Share(s)"	share(s) of HK$0.01 each in the share capital of the Company after the Capital Reorganisation becomes effective
"Altus Capital"	Altus Capital Limited, a corporation licensed to carry out business in type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company, and is the financial adviser to the Company
"Announcement"	the announcement of the Company dated 30 August 2006 relating to the proposed Capital Reorganisation and the Rights Issue
"associates"	the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which banks are generally open for business for more than five hours in Hong Kong
"Capital Reduction"	the proposed: (i) reduction of the par value of each Consolidated Share in issue from HK$1.00 each to an Adjusted Share of HK$0.01 each by cancelling HK$0.99 paid up capital on each Consolidated Share in issue; (ii) subdivision of each unissued Consolidated Share into 100 new unissued Adjusted Shares of HK$0.01 each; and (iii) transfer of the credit arising therefrom to the capital reserve account
"Capital Reorganisation"	the Share Consolidation and the Capital Reduction

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Act"	The Companies Act 1981 of Bermuda (as amended)
"Company"	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"Consolidated Share(s)"	share(s) of HK$1.00 each in the share capital of the Company after the Share Consolidation becoming effective
"Director(s)"	director(s) of the Company
"EAF(s)"	the excess application form(s) to be issued in connection with the Rights Issue
"Group"	the Company and its subsidiaries
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising the independent non-executive Directors, namely, Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong and Mr. Jong Koon Sang
"Independent Shareholders"	Shareholders other than Magical Profits and its associates
"Independent Third Party(ies)"	independent third party(ies) not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Last Trading Day"	25 August 2006, being the last trading day before the suspension of the trading of the Shares, pending the release of the Announcement
"Latest Practicable Date"	15 September 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Magical Profits"	Magical Profits Limited, a company incorporated in the British Virgin Islands with limited liability

"Non-Qualifying Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong or Bermuda
"PAL(s)"	the provisional allotment letter(s) to be issued in connection with the Rights Issue
"PRC"	the People's Republic of China
"Prospectus"	the prospectus to be issued containing details of the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
"Record Date"	16 October 2006 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are to be determined
"Registrar"	the Company's branch share registrar and transfer office in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Rights Issue"	the issue by way of rights of three Rights Shares for every Adjusted Share in issue on the Record Date at a price of HK$0.35 per Rights Share
"Rights Share(s)"	the 595,653,021 new Adjusted Share(s) to be issued and allotted under the Rights Issue
"Settlement Date"	the date being the second Business Day following the Acceptance Date
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company to be held on Monday, 16 October 2006 at which resolutions will be proposed to consider and, if thought fit, approve the Capital Reorganisation and the Rights Issue
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company before the Capital Reorganisation becoming effective
"Share Consolidation"	the consolidation of every 10 Shares into one Consolidated Share
"Share Option(s)"	the share option(s) lapsed on 2 September 2006 and granted by the Company pursuant to the share option scheme of the Company adopted on 18 February 2002
"Shareholder(s)"	holder(s) of Share(s) or Adjusted Share(s) (as the case may be)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwriter" or "Get Nice Investment"	Get Nice Investment Limited, a corporation deemed licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company
"Underwriting Agreement"	the underwriting agreement dated 28 August 2006 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"USA"	the United States of America
"%" or "per cent."	percentage or per centum

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date if:

1. there occurs:

   (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

   (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the USA) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

   (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

   and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or

3. the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

4. the Prospectus Documents, when published, contain information which would be untrue or inaccurate in any material respect and the Company has failed to send out promptly any announcements or circulars (after the despatch of this circular or the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

If the Underwriter exercises such right, the Rights Issue will not proceed. Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses payable under it (other than the underwriting commission).

	2006
Last day of dealings in Shares on a cum-rights basis	Thursday, 5 October
First day of dealings in Shares on an ex-rights basis	Friday, 6 October
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:00 p.m., Monday, 9 October
Register of members closes	Tuesday, 10 October to Monday, 16 October (both dates inclusive)
Latest time for return of proxy form for SGM (not less than 48 hours prior to SGM)	9:00 a.m., Saturday, 14 October
Time of SGM	9:00 a.m., Monday, 16 October
Record Date	Monday, 16 October
Effective time of the Capital Reorganisation	9:00 a.m., Tuesday, 17 October
Register of members re-opens	Tuesday, 17 October
Despatch of the Prospectus Documents	Tuesday, 17 October
Commencement of dealings in Adjusted Shares	Tuesday, 17 October
Original counter for trading in Shares (in board lots of 5,000 Shares) closes	9:30 a.m., Tuesday, 17 October
Temporary counter for trading in Adjusted Shares in board lots of 500 Adjusted Shares (in the form of existing share certificates) opens	9:30 a.m., Tuesday, 17 October
Free exchange of existing share certificates for new share certificates commences	Tuesday, 17 October
First day of dealings in nil-paid Rights Shares	Thursday, 19 October
Latest time for splitting of nil-paid Rights Shares	4:00 p.m., Monday, 23 October
Last day of dealings in nil-paid Rights Shares	Thursday, 26 October
Latest time for payment for and acceptance of Rights Shares	4:00 p.m., Wednesday, 1 November

	2006
Original counter for trading in Adjusted Shares (in board lots of 5,000 Adjusted Shares) re-opens	9:30 a.m., Wednesday, 1 November
Parallel trading in Adjusted Shares (in the form of new and existing certificates) begins	9:30 a.m., Wednesday, 1 November
Designated broker starts to stand in the market to provide matching services	Wednesday, 1 November
Rights Issue becomes unconditional	after 4:00 p.m., Friday, 3 November
Announcement of results of acceptances of and excess applications in the Rights Issue	Monday, 6 November
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Monday, 6 November
Despatch of certificates for fully-paid Rights Shares	Monday, 6 November
First day of dealings in the fully-paid Rights Shares	Wednesday, 8 November
Temporary counter for trading in Adjusted Shares in board lots of 500 Adjusted Shares (in the form of existing share certificates) closes	4:00 p.m., Wednesday, 22 November
Parallel trading in Adjusted Shares (in the form of new and existing certificates) ends	4:00 p.m., Wednesday, 22 November
Designated broker ceases to stand in the market to provide matching services	4:00 p.m., Wednesday, 22 November
Free exchange of existing share certificates for new share certificates ends	Monday, 27 November

Note: All times and dates refer to Hong Kong local times and dates in this circular.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will be changed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Acceptance Date, the dates mentioned in the “Expected Timetable” in this section may be affected. A press announcement will be made by the Company in such event.

EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永義國際集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1218)

Executive Directors:
Tse Wing Chiu, Ricky
(President and Chief Executive Officer)
Lui Yuk Chu
(Vice President)

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

22 September 2006

To the Shareholders

Dear Sir or Madam,

PROPOSED CAPITAL REORGANISATION AND PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD

INTRODUCTION

On 30 August 2006, the Company announced the proposed Capital Reorganisation and the proposed Rights Issue.

Subject to the approval of the Capital Reorganisation by Shareholders at the SGM and the Capital Reorganisation becoming effective and the fulfilment of the relevant conditions, the Company proposes to raise approximately HK$208.48 million before expenses by way of the Rights Issue of 595,653,021 Rights Shares at a price of HK$0.35 per Rights Share. The Company will provisionally allot three Rights Shares in nil-paid form for every Adjusted Share held by the Qualifying Shareholders on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

* *For identification only*

As at the date of the Announcement, the Company had outstanding Share Options, which, if fully exercised on or before 1 September 2006, 133,683,600 Shares (which are convertible into 13,368,360 Adjusted Shares) would fall to be issued. On 2 September 2006, all such outstanding Share Options had lapsed and none of those outstanding Share Options was exercised. As at the Latest Practicable Date, the Company had 1,985,510,079 Shares in issue and had no outstanding options, warrants, or other securities convertible into or giving rights to subscribe for Shares.

In accordance with the Listing Rules, the Rights Issue is subject to approval by Independent Shareholders at the SGM; Magical Profits and its associates will abstain from voting on the resolution to approve the Rights Issue at the SGM. The Independent Board Committee has been appointed to make recommendation to the Independent Shareholders in respect of voting on the resolution to approve the Rights Issue at the SGM by way of poll.

Altus Capital has been appointed as the financial adviser to the Company. Access Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Rights Issue.

The purpose of this circular is to provide you with further details of the Capital Reorganisation and the Rights Issue and to give you notice of the SGM at which resolutions will be proposed to consider and, if thought fit, approve these matters.

CAPITAL REORGANISATION

Background

The Company proposes to put forward the Capital Reorganisation, details of which are described below, for approval by the Shareholders. It comprises:

(a) the Share Consolidation pursuant to which every 10 issued and unissued Shares will be consolidated into one Consolidated Share. As at the Latest Practicable Date, the authorised share capital of the Company was HK$1,000,000,000 comprising 10,000,000,000 Shares of par value HK$0.10 each, of which 1,985,510,079 Shares have been issued and are fully paid. Immediately after the completion of the Share Consolidation, the authorised share capital of the Company will comprise 198,551,007 issued Consolidated Shares and 801,448,993 unissued Consolidated Shares of par value HK$1.00 each; and

(b) immediately after the Share Consolidation becoming effective, the Capital Reduction which involves: (i) the reduction of par value of each Consolidated Share in issue from HK$1.00 each to HK$0.01 each by cancelling HK$0.99 paid up capital on each Consolidated Share in issue; (ii) the subdivision of each unissued Consolidated Share with par value of HK$1.00 each into 100 new unissued Adjusted Shares of par value HK$0.01 each; and (iii) transfer of the credit arising from the cancellation of paid up capital of approximately HK$196,565,496.93 to the capital reserve account of the Company. Accordingly, based on the number of Consolidated Shares in issue upon the Share Consolidation becoming effective, the issued share capital of the Company of HK$198,551,007 comprising 198,551,007 Consolidated Shares will be reduced by approximately HK$196,565,496.93 to approximately HK$1,985,510.07 comprising 198,551,007 Adjusted Shares.

Upon the Capital Reduction becoming effective but before completion of the Rights Issue, based on the 1,985,510,079 Shares in issue as at the Latest Practicable Date, the share capital of the Company will be as follows:

Authorised share capital	:	HK$1,000,000,000 divided into 100,000,000,000 Adjusted Shares of HK$0.01 each
Issued share capital	:	HK$1,985,510.07 divided into 198,551,007 Adjusted Shares of HK$0.01 each
Unissued share capital	:	HK$998,014,489.93 divided into 99,801,448,993 Adjusted Shares of HK$0.01 each

The Capital Reorganisation is conditional upon, inter alia, the approval of the Shareholders at the SGM. The issued Adjusted Shares will rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Financial effects of the Capital Reorganisation

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

Reasons for the Capital Reorganisation

The Board believes that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole. The Board notices that the recent market prices of the Shares have been trading around their nominal value and the market price of the Shares will increase by 10 times theoretically upon the Share Consolidation becoming effective. The existing Shares are presently traded in board lots of 5,000. It is proposed that the Adjusted Shares will also be traded in board lots of 5,000. Based on the closing price quoted on the Stock Exchange on the Last Trading Day of HK$0.11 per Share and the theoretical ex-rights price of approximately HK$0.54 per Adjusted Share as stated below, the value per board lot of 5,000 Shares and 5,000 Adjusted Shares (after taking into account the Capital Reorganisation and the Rights Issue) are HK$550 and HK$2,700 respectively. The transaction cost per dollar value of each Adjusted Share will therefore be lower.

After negotiations, the Underwriter indicated that it is willing to underwrite the Rights Shares at prices not higher than HK$0.35 per Rights Share. As the par value of the Consolidated Shares after the Share Consolidation will be HK$1.00, the Company will not be able to issue Consolidated Shares below such level. To facilitate the Rights Issue, the Board therefore proposes the Capital Reduction. The credit in the capital reserve account arising as a result of the Capital Reduction could be applied for future distributions to the Shareholders. As at the Latest Practicable Date, the Board had no intention to make any distributions to the Shareholders.

After the completion of the Capital Reorganisation and the Rights Issue (based on the theoretical ex-rights price of approximately HK$0.54 per Adjusted Share), the market value of the Adjusted Shares will be above the par value of the Adjusted Shares of HK$0.01 each. The Board is of the opinion that the proposed par value of the Adjusted Shares of HK$0.01 each will provide the Company with greater flexibility for the issue of new Adjusted Shares in the future and is thus in the best interests of the Company and Shareholders as a whole. However, the Board has no present intention to issue further new Adjusted Shares except for the proposed Rights Issue.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following:

(a) the passing by the Shareholders of the necessary resolutions at the SGM to approve the Share Consolidation and the Capital Reduction;

(b) the publication of a notice in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the date as from which the Capital Reduction is to take effect, in accordance to section 46 of the Companies Act; and

(c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares.

The Capital Reorganisation is not conditional upon the Rights Issue being approved by the Independent Shareholders at the SGM.

Expected effective date of the Capital Reorganisation

Subject to the above conditions being fulfilled, the Capital Reorganisation is expected to become effective on Tuesday, 17 October 2006.

Fractional entitlement of Consolidated Shares

Where the Share Consolidation results in fractions of Consolidated Shares, such fractional Consolidated Shares will not be issued but will be aggregated, and sold if possible and any proceeds will be retained for the benefit of the Company.

Odd lots matching service

In order to alleviate Shareholders' difficulties in dealing in odd lots that may arise as a result of the Capital Reorganisation, the Company has appointed Get Nice Investment to stand in the market to provide matching services on a best effort basis for odd lots of Adjusted Shares during the period from Wednesday, 1 November 2006 to Wednesday, 22 November 2006 (both dates inclusive). Shareholders who wish to take advantage of this matching facility either to dispose of odd lots of Adjusted Shares or to top up to a board lot of 5,000 Adjusted Shares, may contact Mr. Lau Shek Ki of Get Nice Investment at 10th Floor, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong at telephone number (852) 2526 7738.

Shareholders should note that the matching service is on a "best efforts" basis only and successful matching of the sale and purchase of odd lots of Adjusted Shares is not guaranteed and will depend on there being adequate amounts of odd lots of Adjusted Shares available for such matching.

Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are not sure about the matching service described above.

Free exchange of Adjusted Share certificates

The new share certificates for the Adjusted Shares will be green in colour in order to distinguish them from the existing share certificates which are pink in colour. Upon the Capital Reorganisation becoming effective which is expected to be on or around Tuesday, 17 October 2006, Shareholders may on or after Tuesday, 17 October 2006 until Monday, 27 November 2006 (both dates inclusive) submit their share certificates for the existing Shares to the Registrar for exchange, at the expense of the Company, for certificates for Adjusted Shares. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such greater amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for the Adjusted Shares. Nevertheless, certificates for the existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Adjusted Shares at any time.

It is expected that the new share certificates for the Adjusted Shares will be available for collection within a period of 10 Business Days after the submission of the existing share certificates to the Registrar for exchange.

Trading arrangements for Adjusted Shares

Subject to the Capital Reorganisation becoming effective, the arrangement for trading in the Adjusted Shares will be as follows:

(a) from 9:30 a.m. on Tuesday, 17 October 2006, the original counter for trading in Shares in board lots of 5,000 Shares will be temporarily closed;

(b) with effect from 9:30 a.m. on Tuesday, 17 October 2006, a temporary counter for trading in Adjusted Shares in board lots of 500 Adjusted Shares, in the form of existing share certificates for the Shares, will be opened, and for the purposes of the settlement and delivery for trading at this temporary counter every Consolidated Share will be deemed to represent one Adjusted Share. Only existing share certificates for existing Shares (in pink colour) can be traded in this temporary counter;

(c) with effect from 9:30 a.m. on Wednesday, 1 November 2006, the original counter will be re-opened for trading in Adjusted Shares in board lots of 5,000 Adjusted Shares. Only share certificates for the Adjusted Shares (in green colour) can be traded at this counter;

(d) during the period from 9:30 a.m. on Wednesday, 1 November 2006 to 4:00 p.m. on Wednesday, 22 November 2006 (both days inclusive), parallel trading will be permitted at the above two counters;

(e) the temporary counter for trading in the existing share certificates in board lots of 500 Adjusted Shares will be removed after the close of trading at 4:00 p.m. on Wednesday, 22 November 2006; and

(f) with effect from 9:30 a.m. on Thursday, 23 November 2006, trading will only be done in Adjusted Shares in board lots of 5,000 Adjusted Shares (in the form of new share certificates in green colour). Existing share certificates (in pink colour) will only be valid for delivery and settlement in respect of dealings for the period up to and including 4:00 p.m. on Wednesday, 22 November 2006 and thereafter will not be acceptable for trading and settlement purposes. However, existing certificates for existing Shares (in pink colour) will continue to be good and valid evidence of legal title to the Adjusted Shares on the basis of 10 Shares for one Adjusted Share and may be exchanged for share certificates for the Adjusted Shares (in green colour) at the Registrar at any time on payment of a prescribed fee.

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Capital Reorganisation becomes effective.

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every Adjusted Share held on the Record Date
Number of Shares in issue	:	1,985,510,079 Shares as at the Latest Practicable Date
Number of outstanding Share Options	:	The Company has no outstanding share options, warrants or other securities convertible into or giving rights to subscribe for the Shares
Number of Adjusted Shares after completion of the Capital Reorganisation	:	198,551,007 Adjusted Shares

Number of Rights Shares	:	595,653,021 Rights Shares
Subscription price per Rights Share	:	HK$0.35 per Rights Share with par value of HK$0.01 each

The 595,653,021 nil-paid Rights Shares proposed to be provisionally allotted represent: (a) three times the Company's issued share capital upon completion of the Capital Reorganisation; and (b) 75.0% of the Company's issued share capital upon completion of the Capital Reorganisation and as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders. For the Non-Qualifying Shareholders (other than the Shareholders in Malaysia), the Company will send copies of the Prospectus to them for their information only, but the Company will not send any PAL or EAF to the Non-Qualifying Shareholders. No copies of the Prospectus Documents will be sent to the Shareholders with registered addresses in Malaysia for reasons stated in the paragraph "Rights of Shareholders with registered addresses outside Hong Kong" below.

To qualify for the Rights Issue, a Shareholder must be: (i) registered as a member of the Company at the close of business on the Record Date; and (ii) a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:00 p.m. on Monday, 9 October 2006.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 10 October 2006 to Monday, 16 October 2006 (both dates inclusive). No transfers of Shares will be registered during this period.

Subscription price

The subscription price for the Rights Shares is HK$0.35 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The subscription price represents:

		Before Share Consolidation	After Share Consolidation
	Rights Price	HK$0.035	HK$0.35
(a)	Closing price per Share quoted on the Stock Exchange on the Latest Practicable Date	HK$0.044	HK$0.44
	Discount (%)	*20.45%*	*20.45%*
(b)	Closing price per Share quoted on the Stock Exchange on the Last Trading Day	HK$0.110	HK$1.10
	Discount (%)	*68.18%*	*68.18%*
(c)	Theoretical ex-rights price calculated based on the closing price per Share quoted on the Stock Exchange on the Last Trading Day	HK$0.054	HK$0.54
	Discount (%)	*35.19%*	*35.19%*
(d)	Average closing price per Share for the last 10 full trading days quoted on the Stock Exchange up to and including the Latest Practicable Date	HK$0.047	HK$0.47
	Discount (%)	*25.53%*	*25.53%*
(e)	Net tangible asset value per Share based on the audited net tangible asset value of the Group of approximately HK$1,030.0 million and 1,323,673,386 Shares in issue as at 31 March 2006 as stated in the annual report of the Company for the year ended 31 March 2006	HK$0.778	HK$7.78
	Discount (%)	*95.50%*	*95.50%*

The Shares have been trading at prices substantially below the net tangible asset value per Share. In terms of historical prices, it is noted that closing prices of the Shares had been on a downward trend where during the period from 1 August 2005 up to the Last Trading Day, closing prices per Share had traded between a high of HK$0.217 on 1 August 2005 and a low of HK$0.100 on 23 and 24 August 2006.

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter. Making reference to the scale of the Rights Issue, the historical prices and the current market price of the Shares, the Underwriter indicated that it is willing to underwrite the Rights Shares at prices not higher than HK$0.35 per Rights Share.

The Directors noted the substantial discounts above. However, taking into consideration the reasons for the Rights Issue as stated in the paragraph headed "Reasons for the Rights Issue and use of proceeds" below, the Directors consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the best interests of the Company and the Shareholders.

Basis of provisional allotment

The basis of the provisional allotment will be three Rights Shares for every Adjusted Share, being 595,653,021 Rights Shares at a price of HK$0.35 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Monday, 6 November 2006 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Monday, 6 November 2006 by ordinary post to the applicants at their own risk.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Adjusted Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Rights of Shareholders with registered addresses outside Hong Kong

Based on the register of members of the Company as at the Latest Practicable Date, there were 6 Shareholders with registered addresses in Australia, 1 Shareholder with a registered address in Brunei, 1 Shareholder with a registered address in Cambodia, 3 Shareholders with registered addresses in Canada, 1 Shareholder with a registered address in France, 1 Shareholder with a registered address in Japan, 4 Shareholders with registered addresses in Macau, 21 Shareholders with registered addresses in Malaysia, 2 Shareholders with registered addresses in New Zealand, 11 Shareholders with registered addresses in the PRC, 3,784 Shareholders with registered addresses in Singapore, 1 Shareholder with registered address in South Africa, 3 Shareholders with registered addresses in Taiwan, 1 Shareholder with registered address in Thailand, 1 Shareholder with a registered address in the United Arab Emirates, 3 Shareholders with registered addresses in the United Kingdom, and 11 Shareholders with registered addresses in the USA.

The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, made enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges.

Based on the legal advice provided by the relevant legal counsels, the Directors are of the view that the Rights Issue can be offered to the Overseas Shareholders in Brunei, Cambodia, Canada, Japan, Macau, New Zealand, Taiwan, Thailand, the PRC, Singapore, the United Arab Emirates and the United Kingdom as there is no restriction on the offering of the Rights Issue to the Shareholders in those jurisdictions. Therefore, provisional allotments of new Rights Shares will be made and the Prospectus Documents will be sent to the Overseas Shareholders in those places.

Legal opinions obtained from legal advisers in Australia and Malaysia have indicated that the offering of the Rights Shares to the Overseas Shareholders in Australia and Malaysia is subject to certain restrictions and that registration or lodgement of the Prospectus Documents is required. Due to the substantial costs involved and inevitable time delay in compliance with the relevant laws and regulations, the Directors have determined that it is not expedient to make available the Rights Issue to these Overseas Shareholders as such costs would outweigh the possible benefit to the relevant Overseas Shareholders and the Company (other than the Shareholders in Malaysia for reasons stated below). In light of the restrictions, no provisional allotment of Rights Shares will be made to these Overseas Shareholders, who are thus Non-Qualifying Shareholders. Accordingly, the Company will send the Prospectus to the Non-Qualifying Shareholders for their information only but will not send PALs and EAFs to such Non-Qualifying Shareholders.

Based on the legal opinion from the legal adviser in Malaysia, prior approval of the Securities Commission of Malaysia ("**SC**") will be required for the offer of Rights Shares in Malaysia. In addition, the Company is not permitted under the applicable laws in Malaysia to distribute or circulate any form of application for securities in Malaysia unless a prospectus has been registered with the SC. As the timing to be required to obtain the necessary approvals from the SC is uncertain, the Company will not send any Prospectus Documents to the Shareholders with registered addresses in Malaysia.

The shareholder in South Africa held only 5 Shares as at the Latest Practicable Date, and will no longer be a Shareholder when the Share Consolidation becomes effective. No provisional allotment of Rights Shares will be made to him. The Company will not send him the Prospectus Documents.

As at the Latest Practicable Date, the Directors were still awaiting the advices from the legal advisers in France and the USA. Therefore information regarding the legal restrictions under laws, if any, in these jurisdictions will be disclosed in the Prospectus.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares can be made only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the names of nominee companies should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to them individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own name(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s), and who would like to have their names registered on the register of members of the Company, must lodge all necessary document with the Registrar for completion of the relevant registration by 4:00 p.m. on Monday, 9 October 2006.

The latest time for acceptance of Rights Shares is expected to be 4:00 p.m. on Wednesday, 1 November 2006.

Listing and dealings

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal on the Stock Exchange in (a) the Adjusted Shares in issue after the Capital Reorganisation becomes effective; and (b) the Rights Shares, in both their nil-paid and fully-paid forms. It is expected that dealings in the Adjusted Shares will commence on Tuesday, 17 October 2006 and dealings in the Rights Shares in their nil-paid form will take place from Thursday, 19 October 2006 to Thursday, 26 October 2006, both days inclusive.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares and Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Capital Reorganisation becoming effective and the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Underwriting arrangements

Underwriting agreement dated 28 August 2006

As no outstanding Share Option was exercised on or before 1 September 2006, all Share Options lapsed. On this basis, the Underwriter has agreed to fully underwrite up to 376,806,918 Rights Shares (being the total number of Rights Shares, less the 218,846,103 Rights Shares to be issued to and undertaken to be subscribed for by Magical Profits). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Underwriter and its ultimate beneficial controlling shareholders are third parties independent of the Company and connected persons of the Company.

Conditions of the Rights Issue

The Rights Issue is conditional, among other things, on each of the following conditions being fulfilled:

(i) the approval of the Capital Reorganisation by Shareholders at the SGM and the Capital Reorganisation becoming effective thereafter;

(ii) the passing of the relevant resolution by the Independent Shareholders approving the Rights Issue at the SGM;

(iii) the posting of the Prospectus Documents to the Qualifying Shareholders; and

(iv) the Listing Committee of the Stock Exchange agreeing to grant listings of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date.

If the conditions of the Rights Issue under the Underwriting Agreement are not fulfilled (or waived in whole or in part by the Underwriter) by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriter may agree in writing with the Company pursuant to the Underwriting Agreement), then all liabilities of the parties thereto shall cease and terminate and neither party shall have any claim against the other (except in respect of any antecedent breaches and any matters or things arising out of or in connection with the Underwriting Agreement) and the irrevocable undertaking by Magical Profits to accept its entitlement under the Rights Issue will lapse. The Rights Issue will not proceed accordingly.

Commission

The Company will pay the Underwriter an underwriting commission of 1% of the aggregate subscription price of the Rights Shares underwritten by it, out of which the Underwriter may pay sub-underwriting fees. The Directors believe that the underwriting commission accords with market rates.

Undertaking from Magical Profits

As at the Latest Practicable Date, Magical Profits, which is beneficially owned by The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and members of her family (other than her spouse)) was interested in 729,487,017 Shares, representing approximately 36.74% of the total issued share capital of the Company. Magical Profits has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it will remain registered in its name at the close of business on the Record Date as they are on the date of the undertaking, being the date of the Underwriting Agreement, and that the Rights Shares to be allotted in respect of those Shares will be taken up in full, representing 218,846,103 Rights Shares. Magical Profits will not apply for any excess Rights Shares.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date if:

1. there occurs:

   (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

(b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the USA) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

(c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or

3. the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

4. the Prospectus Documents, when published, contain information which would be untrue or inaccurate in any material respect and the Company has failed to send out promptly any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

If the Underwriter exercises such right, the Rights Issue will not proceed. Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses payable under it (other than the underwriting commission).

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Friday, 6 October 2006. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 19 October 2006 to Thursday, 26 October 2006 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares, the Adjusted Shares and Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares or the Adjusted Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Thursday, 19 October 2006 to Thursday, 26 October 2006 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholding in the Company

The shareholding in the Company immediately after the Capital Reorganisation but before completion of the Rights Issue and immediately after completion of the Rights Issue is as follows:

	Existing Shareholding		**Immediately after the Capital Reorganisation but before completion of the Rights Issue**		**After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)**		**After completion of Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Magical Profits)**	
	Shares	*%*	*Adjusted Shares*	*%*	*Adjusted Shares*	*%*	*Adjusted Shares*	*%*
Magical Profits	729,487,017	36.74	72,948,701	36.74	291,794,804	36.74	291,794,804	36.74
Underwriter *(Note)*	—	—	—	—	—	—	376,806,918	47.45
Public	1,256,023,062	63.26	125,602,306	63.26	502,409,224	63.26	125,602,306	15.81
Total	**1,985,510,079**	**100.00**	**198,551,007**	**100.00**	**794,204,028**	**100.00**	**794,204,028**	**100.00**

Note: The Underwriter has confirmed that it has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter and the sub-underwriters will not individually own 30% or more of the issued share capital of the Company after completion of the Rights Issue.

The Underwriter is a wholly-owned subsidiary of Get Nice Holdings Limited (stock code: 64) ("**Get Nice Holdings**"), a company listed on the main board of the Stock Exchange. The Underwriter and its ultimate controlling shareholders are Independent Third Parties and are not parties acting in concert with Magical Profits. The sub-underwriters and their ultimate beneficial owners are Independent Third Parties and are not parties acting in concert with Magical Profits and the Underwriter.

In the event that the Underwriter and the sub-underwriters are required to take up the Rights Shares pursuant to their underwriting obligations, the Underwriter and the sub-underwriters shall procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

The Company will ensure compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue.

The Stock Exchange has stated that it will closely monitor trading in the Adjusted Shares following the completion of the Rights Issue. If less than 25% (or such lower percentage as may be allowed under the Listing Rules) of the Adjusted Shares are held by the public, it will constitute a breach of the Listing Rules, and if the Stock Exchange believes that:

- **a false market exists or may exist in the trading in the Adjusted Shares; or**

- **there are too few Adjusted Shares in public hands to maintain an orderly market,**

then it will consider exercising its discretion to suspend trading in the Adjusted Shares until a sufficient public float is attained.

Business review and prospects

The Group is principally engaged in: (a) the sourcing and export of cotton-based knitted garments for infants, children and women; and (b) property investment.

As set out in the annual report of the Group for the year ended 31 March 2006 ("**Annual Report**"), the Group recorded a turnover of approximately HK$489.7 million (2005: approximately HK$590.0 million), representing a decrease of approximately 17.0% from 2005. The decrease was mainly due to: (a) the cancellation of quota system which affected the product price of the Group; and (b) reduction in the residential units available for sale at Fa Yuen Plaza in Mongkok during the year.

Garment sourcing and export

Although the re-imposition of the textile quotas by the USA and the European Union will continue to be an influential factor on the Group's garment export business, the Directors anticipate that the garment business of the Group will remain stable in view of the stable customer base and customers orders.

The Group will continue to retain and strengthen its sales network and business relationship with its existing clients and explore collaboration opportunities with potential customers. The Group will also expand its product range with infant wear as the focus in order to enlarge its income base.

Property investment

As stated in the Annual Report, commercial property investment will be the focal strategic development of the Group in the future. The Directors maintain the view that the local property market will continue to benefit from Hong Kong's steady economic growth and the expanded Individual Visit Scheme will continue boosting tourism and the retail industry in Hong Kong. Rental income is thus expected to increase, especially in prime areas such as Central, Causeway Bay, Tsimshatsui and Mongkok. In July 2006, the Company acquired 18 out of 20 units in a building situated in Nos. 1 and 1A Victory Avenue and Nos. 3 and 3A Victory Avenue in Kowloon, Hong Kong for an aggregate consideration of approximately HK$139.71 million ("**Victory Avenue Acquisition**"), details of which are set out in the circular of the Company dated 3 July 2006. Following these transactions, the management has continued to be active in identifying potential projects in prime areas in Hong Kong, although the Company has yet to identify any specific property projects as at the Latest Practicable Date. In addition to its plans of expanding its property portfolio in Hong Kong, the Group will also explore opportunities in other Asian regions such as Macau and the PRC.

Reasons for the Rights Issue and use of proceeds

Property investments typically require substantial amounts of capital and the Directors are of the view that suitable investment opportunities may arise at any time and investment decisions may have to be made within a short period of time. Sufficient cash resources will therefore be necessary in order for the Group to be competitive in securing such opportunities.

As at the Latest Practicable Date, the Group had bank balances and cash of approximately HK$137 million. Such amount has however been earmarked for: (i) approximately HK$30.0 million for the purchase of the remaining units at the building at Victory Avenue as described above and the related professional fees; (ii) major renovations and maintenance works of its existing property portfolio; and (iii) general working capital for the Group's garment operation.

In view of the above capital requirements, the Directors consider that the Rights Issue is appropriate at this juncture notwithstanding the substantial discounts required of the subscription price of the Rights Shares to the reference prices as stated in the paragraph headed "Subscription price" above. The Directors therefore consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the best interests of the Company and the Shareholders.

The Directors have considered other ways of fund raising such as bank borrowing and placing of new Shares and are of the opinion that bank borrowing will incur interest costs while placing of new Shares will result in dilution of the interests of Shareholders. The Rights Issue will enhance the capital base of the Group while allowing Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company. On this basis, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Rights Issue.

The estimated expenses of the Rights Issue amount to approximately HK$3.50 million and will be borne by the Company. The estimated net proceeds of the Rights Issue will be approximately HK$204.98 million. The Company plans to use the proceeds from the Rights Issue to expand its property portfolio as and when such opportunities arise and the balance, if any, for general working capital purposes.

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

The table below summarises the only fund raising exercise of the Company in the past 12 months ending on the date of the Announcement:

Date of announcement	Event	Net proceeds raised	Original intended use of proceeds	Actual use of proceeds up to the date of the Announcement
8 March 2006	Rights issue on the basis of one rights share for every two shares held	HK$77.9 million	The Company plans to use the proceeds from the rights issue to expand its property portfolio as and when such opportunities arise and the balance, if any, for general working capital purposes	HK$77.9 million had been fully utilised as partial payment for the Victory Avenue Acquisition

Save for the above, the Company did not have any fund raising exercise in the past 12 months ending on the date of the Announcement.

THE SGM

A notice convening the SGM to be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 9:00 a.m. on Monday, 16 October 2006 is set out on pages 119 to 121 of this circular at which resolutions will be proposed to consider and, if thought fit, to approve the Capital Reorganisation and the Rights Issue.

Magical Profits, which is beneficially owned by The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and members of her family (other than her spouse)) was interested in 729,487,017 Shares, representing approximately 36.74% of the issued share capital of the Company as at the Latest Practicable Date. In accordance with the Listing Rules, Magical Profits and its associates will abstain from voting on the resolution to approve the Rights Issue at the SGM by way of poll.

An Independent Board Committee has been formed to advise the Independent Shareholders on how they should vote in respect of the Rights Issue. The Independent Board Committee comprises Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong, and Mr. Jong Koon Sang.

A form of proxy for use at the SGM is enclosed. If you are not able to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting (as the case may be) should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 70 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hand unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:-

(i) by the Chairman of the meeting; or

(ii) 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

(iii) 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

(iv) 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 was 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 was demanded or the taking hands of the poll, whichever is the earlier.

RECOMMENDATION

In relation to the Rights Issue, your attention is drawn to the letter from the Independent Board Committee on page 30 and the letter from Access Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, sets out on pages 31 to 46 of this circular. The Directors believe that the proposed resolutions in relation to the Capital Reorganisation and the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and, accordingly, the Directors recommend Shareholders to vote in favour of the aforesaid resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to III to this circular.

Yours faithfully,
For and on behalf of
Easyknit International Holdings Limited
Tse Wing Chiu, Ricky
President and Chief Executive Officer

EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永義國際集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1218)

22 September 2006

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD

We refer to the circular dated 22 September 2006 ("**Circular**") issued to the Shareholders of which this letter forms part. Terms defined in the Circular shall bear the same meanings herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee and to advise the Independent Shareholders in connection with the terms of the Rights Issue. Access Capital Limited ("**Access Capital**") has been appointed as the independent financial adviser of the Company to advise us and the Independent Shareholders in this respect.

Your attention is drawn to the letter from the Board set out on pages 10 to 29 of the Circular, which sets out information relating to, inter alia, the Rights Issue. We also draw your attention to the letter from Access Capital as set out on pages 31 to 46 of the Circular, which contains its advice to us regarding the Rights Issue.

Having taken into account the principal factors and reasons considered by and the recommendation of Access Capital, the Independent Board Committee considers the terms of the Rights Issue to be fair and reasonable as far as the Independent Shareholders are concerned; and that the Rights Issue is in the interest of the Company and Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Independent Board Committee

Wong Sui Wah, Michael	**Tsui Chun Kong**	**Jong Koon Sang**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

* *For identification only*

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Access Capital prepared for the purpose of incorporation in this circular.

ACCESS
CAPITAL

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

22 September 2006

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

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD

1. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the Rights Issue. Details of the Rights Issue are contained in the "Letter from the Board" in the circular to the Shareholders dated 22 September 2006 ("**Circular**") of which this letter forms part. Terms defined in the Circular are used in this letter with the same meanings, unless the context otherwise requires.

Prior to the implementation of the Rights Issue, the Company proposes to effect a Share Consolidation followed by a Capital Reduction. Upon completion of the Capital Reorganisation, the Company proposes to raise approximately HK$208.48 million before expenses by way of the Rights Issue of 595,653,021 Rights Shares at price of HK$0.35 per Rights Share.

The Rights Issue is subject to the approval of the Independent Shareholders at the SGM. In accordance with the Listing Rules, Magical Profits and its associates (as defined in the Listing Rules) who as at the Latest Practicable Date were beneficially interested in 729,487,017 Shares (representing approximately 36.74% of the existing issued share capital of the Company) will abstain from voting on the resolution to approve the Rights Issue at the SGM.

2. THE INDEPENDENT BOARD COMMITTEE

An independent board committee of the Company, comprising Messrs. Wong Sui Wah, Michael, Tsui Chun Kong and Jong Koon Sang, has been established to consider the terms of the Rights Issue, and to advise the Independent Shareholders in respect of voting on the resolution to approve the Rights Issue at the SGM by way of poll.

We have been appointed by the Independent Board Committee to advise it and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote, and to give our opinion in relation to the terms of the Rights Issue for its consideration when making its recommendation to the Independent Shareholders.

3. BASIS OF THE OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided and/or made to us by the Company and/or the Directors and/or the senior management of the Company. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or the Directors and/or the senior management of the Company and for which it is/they are solely responsible were true, accurate and valid at the time they were made and given and continue to be true, accurate and valid as at the date of the Circular. We have also assumed that all statements, information, opinions and representations made or provided by the Company and/or the Directors and/or the senior management of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the senior management of the Company that no material facts have been omitted from the information provided and referred to in the Circular.

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

4. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

4.1 Background to and reasons for the Rights Issue

4.1.1 *Principal activities of the Company*

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

4.1.2 *Overall financial performance of the Group*

As stated in the annual report of the Company, for the year ended 31 March 2006 the Group recorded an audited consolidated turnover of approximately HK$489.7 million (2005: approximately HK$590.0 million), profit attributable to Shareholders of approximately HK$172.9 million (2005: approximately HK$348.5 million), and as at 31 March 2006 had a consolidated net tangible asset value of approximately HK$1,030.0 million (31 March 2005: approximately HK$1,052.8 million).

The Directors determined that the decrease in the turnover for the year ended 31 March 2006 as compared to previous year was mainly due to (i) the lower selling prices of the garment products sold to the USA and Europe as the quota costs were no longer included in the selling prices following the abolition of the quota system since 1 January 2005 and (ii) the lower revenue generated from the sale of the remaining residential units available for sale at Fa Yuen Plaza in Mongkok (the majority of the units were sold and the sales recognised in the financial years ended 31 March 2004 and 31 March 2005).

Although the Group has successfully controlled and reduced its costs and recognised a gain arising on change in fair value of investment properties of approximately HK$189.7 million, it is noted that the reduced turnover as mentioned above, the impairment loss on trade and other receivables of approximately HK$33.5 million and the share of loss of associates of approximately HK$4.5 million are the major factors which caused the drop in profit attributable to Shareholders for the year ended 31 March 2006 by approximately 50.4% as compared with the previous year.

4.1.3 *Business outlook and prospects*

As stated in the "Letter from the Board", although the re-imposition of textile quotas by the USA and the European Union will continue to be an influential factor on the Group's garment export business, the Directors anticipate that the garment business of the Group will remain stable in view of the stable customer base and customer orders.

The Group will continue to retain and strengthen its sales network and business relationship with its existing clients and explore collaboration opportunities with potential customers. The Group will also expand its product range with infant wear as the focus in order to enlarge its income base.

With respect to property investment, as stated in the "Letter from the Board", the management has continued to be active in identifying potential projects in prime areas in Hong Kong, although the Company had yet to identify any specific property projects as at the Latest Practicable Date. In addition to its plans of expanding its property portfolio in Hong Kong, the Group will also explore opportunities in other Asian regions such as Macau and the PRC.

4.1.4 *Reasons for the Rights Issue*

As stated in the annual report of the Group for the year ended 31 March 2006 ("**Annual Report**"), the Group has been actively seeking investment opportunities in the property sector in general, both in Hong Kong and in Macau, in order to expand its property portfolio. The Group strives to identify appropriate property investments that satisfy the Group's stringent investment criteria in terms of risks and returns, and continues to seek and, if thought fit, capture any appropriate investment opportunities which may arise in these areas.

As also stated in the Annual Report, commercial property investment will be the focal strategic development of the Group in the future. The Directors maintain the view that the local property market will continue to benefit from Hong Kong's steady economic growth and the expanded Individual Visit Scheme will continue boosting tourism and the retail industry in Hong Kong. Rental income is thus expected to increase, especially in prime areas such as Causeway Bay, Tsimshatsui and Mongkok. In addition to its plans of expanding its property portfolio in Hong Kong, the Group will also explore opportunities in other Asian regions such as Macau and the PRC.

On 8 March 2006, the Company announced a rights issue of one rights share for every two Shares held ("**March Rights Issue**"), to raise estimated net proceeds of approximately HK$77.8 million to expand its property portfolio as well as for general working capital. Details of this were set out in the prospectus of the Company dated 3 April 2006. As announced by the Company on 24 April 2006, the March Rights Issue was fully subscribed.

In July 2006, the Company acquired 18 out of 20 units in a building situated at Nos. 1 and 1A Victory Avenue and Nos. 3 and 3A Victory Avenue, Kowloon, Hong Kong for an aggregate consideration of approximately HK$139.71 million ("**Victory Avenue Acquisition**"). Details of this were set out in the circular of the Company dated 3 July 2006.

As at the Latest Practicable Date, the Group had bank balances and cash of approximately HK$137 million. Such amount has however been earmarked for: (i) the purchase of the remaining units in the Victory Avenue Acquisition and related expenses (approximately HK$30.0 million); (ii) the major renovations and maintenance works of the Group's existing property portfolio; and (iii) the general working capital of the Group's garment operation.

The management is actively identifying potential investment opportunities in new property projects, although it had yet to identify/select any specific suitable property projects as at the Latest Practicable Date. Nevertheless, the Directors are of the view that when suitable investment opportunities present themselves and the Company decides to commit, the Company will require funds for such investment commitment at relatively short notice. Accordingly, the availability of sufficient cash resources will be a crucial factor to allow the Group to capture such opportunities as and when they arise.

The Directors have considered other possible avenues of fund raising, in the form of bank borrowing and/or placing of new Shares, and are of the opinion that bank borrowing will necessarily result in an immediate increase in gearing and interest costs for the Group and there is no assurance that the tenor of new bank financing will match the investment horizon of new property investment/development projects, which tend to have a longer-term investment cycle. In respect of the possibility of placing of new Shares to third parties, the Directors recognise that a share placement would deprive the Shareholders of the opportunity to maintain their proportionate interests in the Company.

Therefore, the Directors' view under the circumstances, is that the Rights Issue offers a better fund-raising option as compared to bank borrowing and placing of new Shares to secure long-term financing for the Company whilst enabling the Qualifying Shareholders to have an equal opportunity to maintain their proportionate interests in the Company should they wish to do so. Accordingly, the Directors are of the view that it is in the best interests of the Company and Shareholders to enlarge the capital base and seek to increase the liquidity of Shares through the Rights Issue.

In addition, the Directors believe that the Rights Issue will strengthen the financial position of the Group, thus allowing the Group to participate in larger scale property development projects and also to allowing the Company and its management to commit itself in suitable investment opportunities readily which are both time-sensitive and capital-intensive in nature, while allowing Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company. On this basis, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Rights Issue.

Taking into account the abovementioned background and reasons, though the Rights Issue is the second rights issue exercise carried out by the Company within calendar year 2006, we note that the current available funds of the Group have already been earmarked for specific purposes and concur with the Directors' view and are of the opinion that it is justifiable and in the interests of the Group and the Shareholders to enlarge the capital base through the Rights Issue to expand its property portfolio as and when opportunities arise.

4.2 **Principal terms of the Rights Issue:**

The following are the issue statistics of the Rights Issue.

Basis of the Rights Issue	:	Three (3) Rights Shares for every Adjusted Share held on the Record Date
Numbers of Shares in issue as at the Latest Practicable Date	:	1,985,510,079 Shares

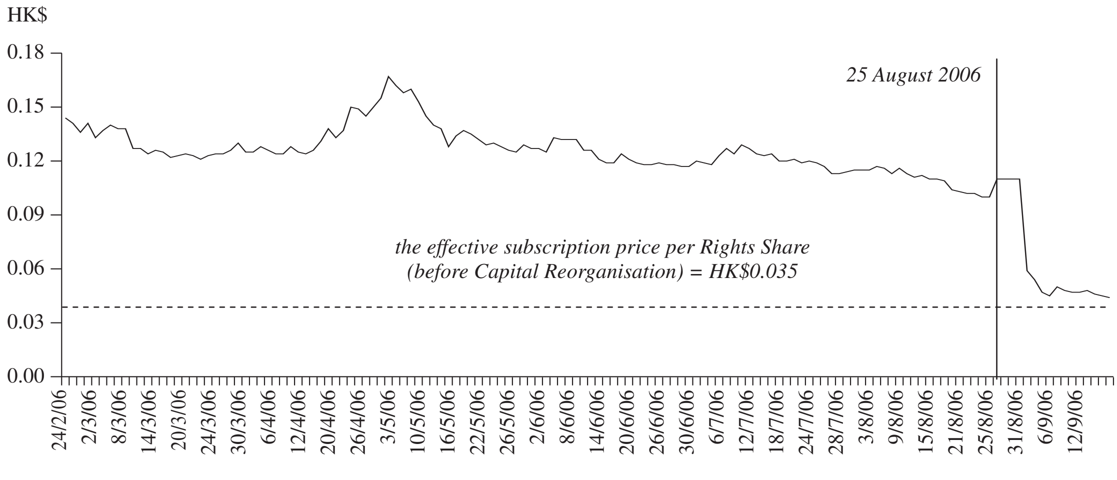
Number of Adjusted Shares after completion of the Capital Reorganisation	:	198,551,007 Adjusted Shares
Number of Rights Shares	:	595,653,021 Rights Shares
Subscription Price	:	HK$0.35 per Rights Share with par value of HK$0.01 each

4.3 **Recent Share price performance and turnover**

4.3.1 *Share price performance*

In appraising the Rights Issue, we would like to draw Shareholders' attention to the following chart, which sets out the closing price performance of the Shares as quoted on the Stock Exchange from 24 February 2006 (i.e. six months prior to 25 August 2006, the last full trading day immediately prior to the suspension of the Shares before the issue of the Announcement) to the Latest Practicable Date:

Share price performance



Source: Bloomberg

Shareholders should note that the Share price traded within a range of HK$0.133 to HK$0.144 per Share between 24 February 2006 to 6 March 2006, being the last trading day prior to the publication of an announcement of the Company dated 8 March 2006 regarding the March Rights Issue. From 9 March 2006 to 6 June 2006 (the last trading day prior to the announcement of the Company regarding the Victory Avenue Acquisition on 8 June 2006), the Shares were traded within a range of HK$0.121 to HK$0.167. From 9 June 2006 to the Last Trading Day, the Share price gradually decreased and traded within a range of HK$0.10 to HK$0.129 per Share and the closing price per Share quoted on the Stock Exchange on the Last Trading Day was HK$0.110 per Share.

Following the publication of the Announcement, the Share price decreased to HK$0.059 on 31 August 2006 and the Shares continued to trade within the range of HK$0.044 to HK$0.059 up to and including the Latest Practicable Date. As at the Latest Practicable Date, the closing price per Share quoted on the Stock Exchange was HK$0.044.

4.3.2 *Liquidity of the Shares*

Set out below is a table showing the number of Shares traded between 24 February 2006 and 25 August 2006 (i.e. the last full trading day immediately prior to the suspension of the Shares before the issue of the Announcement) and between 31 August 2006 and the Latest Practicable Date.

Period/month	**Average trading volume over trading days of that period/month**	**Percentage to Shares in issue**
	Shares	*%*
2006		
24 to 28 February	971,417	0.05
March	6,588,733	0.33
April	16,644,690	0.84
May	18,111,303	0.91
June	4,765,725	0.24
July	1,492,603	0.08
1 to 25 August	3,681,211	0.19
Post-Announcement		
31 August	131,024,404	6.60
1 September to the Latest Practicable Date	15,739,235	0.79

As set out above, Shareholders will note that the Shares were thinly traded. Between the abovementioned dates in February 2006 and March 2006, average daily trading volume ranged between approximately 0.97 million Shares to approximately 6.6 million Shares. The trading activity in the Shares became more active in April 2006 and May 2006 with an average daily trading volume ranging between approximately 16.6 million Shares to approximately 18.1 million Shares. Between 1

June 2006 to 25 August 2006 (i.e. the last full trading day immediately prior to the suspension of the Shares before the issue of the Announcement), the Shares were thinly traded again with an average daily trading volume ranging between approximately 1.5 million Shares to approximately 4.8 million Shares.

Following the publication of the Announcement, on 31 August 2006, the trading volume of the Shares on that single day was approximately 131.0 million Shares, which was substantially higher than any single day trading volume recorded between 24 February 2006 and 25 August 2006. Between 1 September 2006 and the Latest Practicable Date (both days inclusive), the Shares continued to trade with an average daily volume of approximately 15.7 million Shares.

Given that the abovementioned thin trading volume of the Shares, the Directors are of the view that it would be difficult for the Company to raise equity funding (either through a placement or a rights issue) on an underwritten basis, unless the pricing of the new shares is set at a level which represents a significant discount to the latest market price of the Shares. On this basis, the Directors believe that it is equitable and appropriate for the Company to opt for an underwritten rights issue in order to afford all Shareholders the opportunity to participate and maintain their interest in the Company, at an attractive subscription price relative to the Company's latest trading prices.

4.3.3 *The subscription price*

The subscription price for the Rights Shares is HK$0.35 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The subscription price of the Rights Issue represents:

		Before Share Consolidation	After Share Consolidation
	Subscription price per Rights Share	*HK$0.035*	*HK$0.35*
(a)	Closing price per Share quoted on the Stock Exchange on the Latest Practicable Date	HK$0.044	HK$0.44
	Discount (%)	*20.45%*	*20.45%*
(b)	Closing price per Share quoted on the Stock Exchange on the Last Trading Day	HK$0.110	HK$1.10
	Discount (%)	*68.18%*	*68.18%*
(c)	Theoretical ex-rights price calculated based on the closing price per Share quoted on the Stock Exchange on the Last Trading Day	HK$0.054	HK$0.54
	Discount (%)	*35.19%*	*35.19%*
(d)	Average closing price per Share for the last 10 full trading days quoted on the Stock Exchange on the Last Trading Day	HK$0.105	HK$1.05
	Discount (%)	*66.67%*	*66.67%*

		Before Share Consolidation	After Share Consolidation
	Subscription price per Rights Share	*HK$0.035*	*HK$0.35*
(e)	Net tangible asset value per Share based on the audited net tangible asset value of the Group of approximately HK$1,030.0 million and 1,323,673,386 Shares in issue as at 31 March 2006	HK$0.778	HK$7.78
	Discount (%)	*95.50%*	*95.50%*

The subscription price was determined after arm's length negotiation between the Company and the Underwriter with reference to the scale of the Rights Issue, the historical prices and the current market price of the Shares. The Underwriter indicated that it is willing to underwrite the Rights Shares at prices not higher than HK$0.35 per Rights Share.

The Directors noted the substantial discount above. However, taking into consideration the reasons for the Right Issue as stated in the paragraph headed "Reasons for the Rights Issue and use of proceeds" in the "Letter from the Board", the Directors consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the best interests of the Company and the Shareholders.

We noted a number of rights issues/open offers announced by Hong Kong Main Board listed companies between 1 January 2006 and the Latest Practicable Date ("**Relevant Period**") and noted that the range of proceeds raised varied substantially. As the size of the net proceeds to be raised under the Rights Issue is approximately HK$204.98 million, we are of the view that the parameter set out below, i.e. between HK$50 million and HK$500 million, is relevant for comparison purposes. We have noted 19 rights issues/open offers announced by Hong Kong Main Board listed companies during the Relevant Period and the details of such issues are set out below.

Rights issues/open offers announced by Main Board listed companies (between 1 January 2006 and the Latest Practicable Date) excluding net proceeds raised less than HK$50 million and above HK$500 million

Company name (stock code) and date of announcement	Subscription price per share	Net proceeds raised	U/W fee	Offer ratio	Closing price on the last trading day	10-day average trading price	Theoretical ex-entitlement price	Premium/(Discount) of subscription price to the closing price on the last trading day	Premium/(Discount) of subscription price to the 10-day average trading price	Premium/(Discount) of subscription price to the theoretical ex-entitlement price
	HK$	*HK$' million*	*%*		*HK$*	*HK$*	*HK$*	*%*	*%*	*%*
FinTronics Holdings Company Limited (706) (11 January 2006)	0.10	51.0	1.5	1 for 1	0.225	0.168	0.163	(55.6)	(40.5)	(38.7)

								Premium/(Discount) of subscription price to		
Company name (stock code) and date of announcement	Subscription price per share	Net proceeds raised	U/W fee	Offer ratio	Closing price on the last trading day	10-day average trading price	Theoretical ex-entitlement price	the closing price on the last trading day	the 10-day average trading price	the theoretical ex-entitlement price
	HK$	*HK$' million*	*%*		*HK$*	*HK$*	*HK$*	*%*	*%*	*%*
South Sea Petroleum Holdings Limited (76) (27 January 2006)	0.20	63.0	2.5	1 for 2	0.340	0.330	0.290	(41.2)	(39.4)	(31.0)
Asia Orient Holdings Limited (214) (10 February 2006)	1.30	160.0-170.0	2.0	1 for 2	2.125	2.085	1.85	(38.8)	(37.6)	(29.7)
Uni-Bio Science Group Limited (690) (15 February 2006)	0.50	175.5	2.0	2 for 1	0.610	0.611	0.537	(18.0)	(18.2)	(6.9)
Heng Tai Consumables Group Limited (197) (1 March 2006)	0.75	298.0-301.0	2.5	2 for 5	1.430	1.421	1.240	(47.6)	(47.2)	(39.5)
Chuang's China Investments Limited (298) (6 March 2006)	0.40	100.0	2.0	1 for 4	0.445	0.4515	0.436	(10.1)	(11.4)	(8.3)
The Company (1218) (8 March 2006)	0.12	77.8	1.0	1 for 2	0.142	0.141	0.135	(15.5)	(14.9)	(11.1)
Tomorrow International Holdings Limited (760) (8 March 2006)	0.485	170.0	2.5	5 for 4	0.560	0.607	0.371	(13.4)	(20.1)	N.A. *(Note 1)*
Asia Standard Hotel Group Limited (292) (23 March 2006)	0.09	280.6-280.7	1.0	1 for 2	0.157	0.159	0.135	(42.7)	(43.4)	(33.3)
China National Resources Development Holdings Limited (661) (26 April 2006)	0.06	61.9	2.5	1 for 2	0.084	0.124	0.076	(28.6)	(51.6)	(21.1)
See Corporation Limited (491) (27 April 2006)	0.014	144.0	5.0	5 for 1	0.068	0.023	0.0647	(79.4)	(39.1)	(78.4)
Green Energy Group Limited (979) (28 April 2006) *(Note 2)*	0.60	150.0	2.0	3 for 1	1.660	1.222	0.865	(63.9)	(50.9)	(30.6)
Anex International Holdings Limited (723) (3 May 2006)	0.10	74.5	2.0	1 for 1	0.124	0.120	0.112	(19.4)	(16.7)	(10.7)

Company name (stock code) and date of announcement	Subscription price per share	Net proceeds raised	U/W fee	Offer ratio	Closing price on the last trading day	10-day average trading price	Theoretical ex-entitlement price	Premium/(Discount) of subscription price to the closing price on the last trading day	the 10-day average trading price	the theoretical ex-entitlement price
	HK$	*HK$' million*	*%*		*HK$*	*HK$*	*HK$*	*%*	*%*	*%*
Shanghai Merchants Holdings Limited (1104) (11 May 2006)	0.10	81.0	2.0	2 for 1	0.260	0.270	0.153	(61.5)	(63.0)	(34.8)
Skyfame Realty (Holdings) Limited (59) (7 June 2006)	0.90	234.5	2.0	13 for 40	1.25	1.20	1.16	(28.0)	(25.0)	(22.4)
Carico Holdings Limited (729) (7 June 2006)	0.12	94.5	1.5	1 for 1	0.248	0.252	0.184	(51.6)	(52.3)	(34.8)
IDT International Limited (167) (16 June 2006)	0.30	123.0	2.0	1 for 5	0.480	0.482	0.450	(37.5)	(37.8)	(33.3)
Frasers Property (China) Limited (535) (20 July 2006)	0.12	270.2-270.8	2.5	1 for 2	0.198	0.191	0.172	(39.4)	(37.2)	(30.2)
Chinney Alliance Group Limited (385) (21 August 2006) *(Note 3)*	0.25	57.0	2.0	3 for 2	0.24	0.248	0.246	4.2	0.8	1.6
Maximum			**5.0**					**(79.4)**	**(63.0)**	**(78.4)**
Minimum			**1.0**					**4.2**	**0.8**	**1.6**
Average			**2.2**					**(36.2)**	**(34.0)**	**(27.4)**
The Company (after Share Consolidation) (30 August 2006)	*0.35*	*205.0*	*1.0*	*3 for 1*	*1.100*	*1.050*	*0.540*	*(68.2)*	*(66.7)*	*(35.2)*

Notes:

1. The theoretical ex-entitlement price has been calculated after taking into consideration a bonus issue of shares.

2. Formerly known as China Nan Feng Group Limited, and assuming the proposed consolidation of every 10 shares into one consolidated share has been completed.

3. Assuming the proposed capital reduction has been completed.

Source: Published announcements of the abovementioned companies.

From the above table, Shareholders should note that the discount of the subscription price to the closing price on the last trading day of the Shares is higher than the average discount of 36.2% as set out in the table above and falls within the range between the maximum and minimum discount of all comparable issues selected. The discount of the subscription price to the 10-day average closing price of the Shares is higher than the average discount of approximately 34.0% and exceeds the maximum range of the discounts of the comparable issues above. The subscription price also represents a discount of 35.2% to the theoretical ex-entitlement price of the Shares, which is within the range of the discounts of the companies selected above.

In addition, in order to achieve the Company's goal to raise approximately HK$205 million for future acquisition and to enjoy the anticipated benefits after completion of the Rights Issue, the Directors believe that apart from determining the methods of fund raising, they have to strike the balance in determining the subscription price of the Rights Issue, taking into account the affordability/receptiveness of the Shareholders; and the terms and pricing necessary for an underwriter to underwrite the Rights Issue. We have discussed with the management of the Company and noted that the Company has approached a number of potential underwriters which are either not interested in the Rights Issue or only prepare to underwrite the entire amount under the Rights Issue at the current subscription price. Accordingly, the subscription price was determined at HK$0.35 per Rights Share after arm's length negotiation between the Company and the Underwriter. Despite the subscription price per Rights Share represents a substantial discount to the current market price, we have also considered other reasons and factors set out in this letter and concluded that the Rights Issue is fair and reasonable.

Although the offer ratio of the Rights Issue is on the high end amongst the other issues mentioned above, we do not think it is relevant only to compare the offer ratio with other cases as the principal factors which may affect the offer ratio also depend on the size of the rights issue and the subscription price agreed to be underwritten by the underwriter. Given the offer ratio (in this case) is consequential to the pre-determined terms (i.e. size of the Rights Issue and the subscription price, negotiated between the Company and required by the Underwriter), and after taking into account the overall reasons for and benefits of the Rights Issue (irrespective of the offer ratio in this particular case) as set out in this letter, and in particular, the size of the net proceeds to enable the Group to expand its property portfolio which in turn would potentially enhance the revenue base of the Group, we are of the view that the Rights Issue is fair and reasonable.

Taking into consideration various factors, including but not limited to (i) the size of the proceeds to be raised under the Rights Issue; (ii) the liquidity of the Shares; (iii) the stock market environment in general; and (iv) the historical prices and the current market price of the Shares, it is understandable that the Underwriter was willing to underwrite the Rights Issue only at the subscription price in order to attract interest from potential new investors to the Company and the support of sub-underwriters to the Rights Issue, and to provide incentive for the Shareholders to participate in the Rights Issue. Besides, the Underwriter indicated that it is willing to underwrite the Rights Shares at prices not higher than HK$0.35 per Rights Share. Based on the aforesaid analysis, despite the fact that discount of the subscription price to the market prices falls either at the high end of the range or out of range, we are of the view that the subscription price of HK$0.35 per Rights Share, after the Share Consolidation, is fair and reasonable to the Independent Shareholders.

4.3.4 *Other principal terms of the Underwriting Agreement with regard to the Rights Issue*

Underwriting commission

We have reviewed the underwriting commission charged by the underwriters in recent rights issues (as set out in paragraph 4.3.3 above) and noted that the underwriting commission of 1% to be charged by the Underwriter is at the low end to the market rate and we consider such rate to be fair and reasonable so far as the independent Shareholders are concerned.

Force majeure

All Shareholders and other potential investors should be aware that the Rights Issue will not proceed if the Underwriter exercises its right to terminate the Underwriting Agreement in accordance with the terms contained therein, the particulars of which are set out in the paragraph headed "Termination of the Underwriting Agreement" in the "Letter from the Board".

As such, any Shareholder or any other person dealing in the Shares or Adjusted Shares up to the date on which all the conditions of the Rights Issue are fulfilled shall bear the risk that the Rights Issue may not become unconditional or may not proceed.

4.4 **Expected effects on the Company**

4.4.1 *Net asset value*

Following completion of the Rights Issue and on the basis of the unaudited pro forma statement of the adjusted consolidated net tangible assets of the Group as set out below, the unaudited pro forma adjusted consolidated net tangible assets of the Group will increase from approximately HK$1,030.0 million to approximately HK$1,235.0 million, representing an increase of approximately 19.9% over the audited consolidated net tangible assets as of 31 March 2006 and adjusted for the effect of the Capital Reorganisation and the Rights Issue.

As set out in Appendix II to the Circular, the Company has prepared and reviewed by Deloitte Touche Tohmatsu, the auditors of the Company, pursuant to the requirements set out in Rule 4.29 of the Listing Rules, the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group.

4.4.2 *Working capital and gearing ratio*

As stated in Appendix II to the Circular, the Directors are of the opinion that, after taking into account the present available financial resources, the existing banking facilities available and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances.

The improvement in gearing ratio following the Rights Issue is insignificant. However, the capital base will be strengthened.

Taking into account the aforesaid improvement in the working capital and the factors considered by the Directors in relation to alternative financing methods such as debt financing and placing of new shares as discussed in this letter, we are of the view that the Rights Issue is the appropriate type of fund raising method under the current circumstance.

The Directors have further confirmed to us that they have no present plan or intention to issue further Shares of the Company after the completion of the Rights Issue, until such time the Company's then liquid funds have been substantially deployed or such fund has been designated to specific projects.

4.4.3 *Effects on shareholding structure of the Company*

The following is the shareholding structure of the Company immediately after the Capital Reorganisation but before completion of the Rights Issue and immediately after completion of the Rights Issue:

	Existing Shareholding		**Immediately after the Capital Reorganisation but before completion of the Rights Issue**		**After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)**		**After completion of Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Magical Profits)**	
	Shares	*%*	*Adjusted Shares*	*%*	*Adjusted Shares*	*%*	*Adjusted Shares*	*%*
Magical Profits	729,487,017	36.74	72,948,701	36.74	291,794,804	36.74	291,794,804	36.74
Underwriter *(Note)*	—	—	—	—	—	—	376,806,918	47.45
Public	1,256,023,062	63.26	125,602,306	63.26	502,409,224	63.26	125,602,306	15.81
Total	**1,985,510,079**	**100.00**	**198,551,007**	**100.00**	**794,204,028**	**100.00**	**794,204,028**	**100.00**

Note: The Underwriter has confirmed that it has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter and the sub-underwriters will not individually own 30% or more of the issued share capital of the Company after completion of the Rights Issue. The sub-underwriters and their ultimate beneficial owners are Independent Third Parties and are not parties acting in concert with Magical Profits and the Underwriter.

Magical Profits, which is beneficially owned by The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and members of her family (other than her spouse)) is interested in 729,487,017 Shares, representing approximately 36.74% of the total issued share capital of the Company. Magical Profits has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it will remain registered in its name at the close of business on the Record Date as they are on the date of the undertaking, being the date of the Underwriting Agreement, and that the Rights Shares to be allotted in respect of those Shares will be taken up in full, representing 218,846,103 Rights Shares. Magical Profits will not apply for any excess Rights Shares.

We have also considered the fact that the Company has undertaken one equity fund raising exercise in the last 12 months that is the March Rights Issue, which was completed in April 2006. The Company's Share price performance has not been satisfactory with an overall downward trend during the same period. Shareholders' equity and their interests in the Company would be permanently diluted should they decide not to take up their entitlements in the Rights Issue. The Directors therefore consider that whilst the Rights Issue is intended to strengthen the financial position of the Company and to enable it to invest in suitable investment opportunities in order to enhance the long-term value of the Company, Shareholders can only protect their stake in the Company and preserve its long-term value therein by participating in the Rights Issue.

Qualifying Shareholders who do not subscribe for any of their entitlement under the Rights Issue will have their shareholding interest diluted by approximately 75%.

In any event and as stated in the "Letter from the Board", Shareholders or any other investors who are in doubt of their positions and who would like to deal in the Shares during the relevant trading period (as set out in the section headed "Expected Timetable" in this Circular) are recommended to obtain professional advice and be aware of the risks involved in dealing the Shares.

On the other hand, Shareholders and others who are attracted by the prospects of the Company and wish to increase their shareholding in the Company may apply for excess Rights Shares by means of excess application.

5. RECOMMENDATION

In making our recommendation we have considered the above principal factors and, in particular, taken into account the following:

— the background of the Group and its current financial position;

— the reasons for the Rights Issue and the intended use of proceeds;

— the prospects and outlook of the business of the Group;

— the terms of the Rights Issue;

— the possible financial effects on the Company after completion of the Rights Issue;

— the effect of the Rights Issue on the shareholding structure of the Company and the prospect of Shareholders participating in the Rights Issue thereby maintaining their equity stake in the long-term value of the Company; and

— the intention of the Company not to undertake further equity issues until such time the Company's then liquid funds have been substantially deployed or such fund has been designated to specific projects.

In summary, and after taking into account the factors and reasons mentioned in this letter and based on the information provided and the representations made to us, we consider the terms of the Rights Issue to be fair and reasonable so far as the Independent Shareholders are concerned; and that the Rights Issue is in the interest of the Company and accordingly of the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the SGM to approve the Rights Issue.

Shareholders should also note that for the shareholders who elected not to subscribe for their rights entitlements in the Company's previous rights issue closed in April 2006, their then equity interest would have been diluted by the new shares issued in the said rights issue. By the same token, Shareholders are advised that to the extent that they do not take up their rights entitlement under the Rights Issue, their existing interest in the Company would stand to be diluted accordingly, should the Rights Issue be approved by the Independent Shareholders and implemented.

Notwithstanding the above and in considering whether to vote for or against the abovementioned resolution to be proposed at the forthcoming SGM, Independent Shareholders are reminded that their voting decision or their decision to realise in the market or to hold their Shares or to participate in the Rights Issue (if it consummated) is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Access Capital Limited
Jeanny Leung
Managing Director

1. DIRECTORS

Particulars of Directors

Name	Address
Executive Directors:	
Tse Wing Chiu, Ricky	House D6 Flamingo Garden No. 7 Fei Wan Road Fei Ngo Shan New Territories Hong Kong
Lui Yuk Chu	No. 11 Keng Hau Road Shatin New Territories Hong Kong
Independent Non-Executive Directors:	
Wong Sui Wah, Michael	Flat A, 4/F Sunfair Mansion 12 Shiu Fai Terrace Stubbs Road Hong Kong
Tsui Chun Kong	Unit 6, 9/F, Block 43 Heng Fa Chuen Chai Wan Hong Kong
Jong Koon Sang	Unit 3, 8/F, Block 45 Heng Fa Chuen Chai Wan Hong Kong

Executive Directors

Tse Wing Chiu, Ricky, aged 48, is an executive Director, President, Chief Executive Officer and authorised representative of the Company, and a member and Chairman of the Executive Committee of the Board. He is also an executive director, Chairman, Chief Executive Officer, authorised representative and a member and Chairman of the Executive Committee of the board of directors of Easyknit Enterprises Holdings Limited ("**Easyknit Enterprises**"). Mr. Tse obtained a Master's Degree in Business Administration from Adam Smith University of America in the USA in 1996. He has over 30 years of experience in garment manufacturing and merchandising. He serves as director of various subsidiaries of the Company and Easyknit Enterprises. Mr. Tse did not hold any other directorships in listed companies in the last three years. He was appointed to the Board in November 2005.

Lui Yuk Chu, aged 49, is an executive Director and Vice President of the Company and a member of the Executive Committee of the Board. She is a co-founder of the Group. Ms. Lui is also an executive director and Deputy Chairman and a member of the Executive Committee of the board of directors of Easyknit Enterprises. She has been involved in the textiles industry for more than 29 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit Enterprises. Ms. Lui did not hold any other directorships in listed companies in the last three years. She was appointed to the Board in September 1994.

Independent Non-Executive Directors

Wong Sui Wah, Michael, aged 48, is a member and Chairman of the Audit Committee of the Board and a member of the Remuneration Committee of the Board. He is a solicitor and notary public of Hong Kong and a China Appointed Attesting Officer. He is a partner in Philip K H Wong, Kennedy Y H Wong and Co. Solicitors & Notaries. He obtained his B.A. Degree from McMaster University in Canada in 1981 and his LL.B. from University of London in the United Kingdom, where he attended King's College, in 1984. He is also the company secretary of Raymond Industrial Limited, a company listed on the Stock Exchange. Mr. Wong did not hold any other directorships in listed companies in the last three years. He was appointed to the Board in October 2000.

Tsui Chun Kong, aged 55, is a member and Chairman of the Remuneration Committee of the Board and a member of the Audit Committee of the Board. He obtained a Master's Degree in Business Administration from the Oklahoma City University in the USA in 1991 and is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Tsui has over 33 years of experience in the public accounting profession and the commercial sector, especially the travel industry. He has experience in the preparation for listing of shares on the Stock Exchange and has worked for a few listed companies. Mr. Tsui is now practising as a public accountant under his own name. Mr. Tsui did not hold any other directorships in listed companies in the last three years. He was appointed to the Board in September 2004.

Jong Koon Sang, aged 57, is a member of the Audit Committee and Remuneration Committee of the Board. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of International Accountants, England. He is also a member of the Chartered Management Institute, England and an associate member of The Taxation Institute of Hong Kong. Mr. Jong is currently the Chairman of Student Education sub-committee of The Association of International Accountants, Hong Kong Branch, the accountant ambassador of The Hong Kong Institute of Certified Public Accountants and Honorary Vice President of Accounting Student Society of Hong Kong University of Science and Technology. He is also a director of the Hong Kong Cheshire Home Foundation and a member of the Hospital Governing Committee of Cheshire Home Shatin. Mr. Jong has over 37 years of management experience in the financial, industrial and property business. He was the chief executive officer and financial controller of two shopping malls in New Zealand. He had held senior management positions in a number of listed companies and conglomerates in the Asia Pacific region. Mr. Jong did not hold any other directorships in listed companies in the last three years. He was appointed to the Board in January 2005.

2. CORPORATE INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Principal place of business	Unit A, 7th Floor Hong Kong Spinners Building Phase 6, 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company secretary	Chan Po Cheung FCPA, FCCA, ACA
Authorised representatives	Tse Wing Chiu, Ricky Chan Po Cheung
Legal advisers to the Company	*On Hong Kong law:* Richards Butler 20th Floor Alexandra House 16-20 Chater Road Hong Kong *On Bermuda law:* Appleby Hunter Bailhache 5511 The Center 99 Queen's Road Central Hong Kong
Auditors	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Branch share registrar and transfer office in Hong Kong	Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Principal share registrar and transfer office in Bermuda	Butterfield Fund Services (Bermuda) Limited 65 Front Street Hamilton HM12 Bermuda
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

3. SHARE CAPITAL AND SHARE OPTIONS

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Capital Reorganisation and the Rights Issue are, and are expected to be, as follows:

Authorised:		*HK$*
10,000,000,000	Shares as at the Latest Practicable Date	1,000,000,000.00
100,000,000,000	Adjusted Shares upon completion of the Capital Reorganisation	1,000,000,000.00
Issued and fully-paid:		
1,985,510,079	Shares in issue as at the Latest Practicable Date	198,551,007.90
198,551,007	Adjusted Shares in issue upon the Capital Reorganisation becoming effective	1,985,510.07
595,653,021	Adjusted Shares to be issued pursuant to the Rights Issue	5,956,530.21
794,204,028	Adjusted Shares in issue immediately following the Rights Issue	7,942,040.28

Each of the Shares in issue ranks *pari passu* with all other Shares in all respects including as to rights to dividends, voting and return of capital. The Adjusted Shares to be issued pursuant to the Rights Issue, when fully paid and issued, will rank *pari passu* in all respects with the then issued Adjusted Shares including as to the right to receive dividends and distributions which may be declared, made or paid after the issue of the Rights Shares.

The Company has its primary listing on the Stock Exchange. Save as disclosed herein, no part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchanges.

Save as disclosed herein, no share or loan capital of the Company or any of its subsidiaries has been put under option or agreed conditionally or unconditionally to be put under option.

The Company has no outstanding warrants, share options or other securities which are convertible into or giving rights to subscribe for Shares.

1. FINANCIAL SUMMARY

A summary of the published audited results, assets and liabilities of the Group for each of the three years ended 31 March 2006 is set out below:

(i) Results

	Year ended 31 March		
	2004	**2005**	**2006**
	HK$'000	*HK$'000* (Restated)	*HK$'000*
Turnover	706,044	590,001	489,715
Profit before taxation	134,875	366,242	182,534
Taxation	(2,459)	(17,773)	(9,683)
Profit for the year	132,416	348,469	172,851
Attributable to:			
Equity holders of the Company	140,830	348,469	172,851
Minority interests	(8,414)	—	—
Profit for the year	132,416	348,469	172,851

(ii) Assets and Liabilities

	At 31 March		
	2004	**2005**	**2006**
	HK$'000	*HK$'000* (Restated)	*HK$'000*
Total assets	1,041,132	1,328,097	1,127,857
Total liabilities	(373,917)	(274,409)	(96,929)
Equity attributable to equity holders of the Company	667,215	1,053,688	1,030,928
Minority interests	—	—	—
Total equity	667,215	1,053,688	1,030,928

As set out in notes 2 and 3 to the financial statements of the Company for the year ended 31 March 2006, the Group adopted a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants during the year ended 31 March 2006. Comparative amounts for the year 2005 have been restated. Comparative amounts for other years are not restated.

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements together with the relevant notes thereto as extracted from pages 27 to 81 of the annual report of the Company for the year ended 31 March 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	NOTES	**2006**	**2005**
		HK$'000	*HK$'000*
			(Restated)
Turnover	7	489,715	590,001
Cost of sales		(400,355)	(461,181)
Gross profit		89,360	128,820
Other income		9,386	5,127
Distribution costs		(12,689)	(20,873)
Administrative expenses		(49,459)	(55,345)
Gain arising on change in fair value of investment properties		189,730	—
Reversal of deficit arising on revaluation of investment properties		—	140,690
Gain on fair value changes of investments held for trading		12	—
Unrealised gain on other investments		—	158,579
Impairment loss on trade and other receivables	9	(33,513)	(4,215)
Loss on disposal of investment properties		(1,136)	—
Gain on disposal of subsidiaries	10	—	14,149
Share of results of associates		(4,548)	2,876
Finance costs	11	(4,609)	(3,566)
Profit before taxation	12	182,534	366,242
Taxation	14	(9,683)	(17,773)
Profit for the year attributable to equity holders of the Company		172,851	348,469
Earnings per share	16		
Basic		HK$0.131	HK$0.286
Diluted		N/A	HK$0.285

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	NOTES	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	18	24,190	24,435
Investment properties	19	589,700	619,970
Intangible asset	20	921	921
Interests in associates	21	62,887	15,729
Available-for-sale investments	22	93,987	—
		771,685	661,055
Current assets			
Properties held for sale	23	14,426	21,624
Investments held for trading	24	3,600	—
Other investments	25	—	244,030
Inventories	26	7,766	2,423
Trade and other receivables	27	72,226	196,213
Loans receivable	28	66,053	71,875
Bills receivable	29	17,220	44,925
Tax recoverable		301	2,051
Bank balances and cash	30	174,580	83,901
		356,172	667,042
Current liabilities			
Trade and other payables	31	41,754	37,118
Bills payable	32	4,514	1,564
Tax payable		24,364	23,727
Obligations under finance leases — amount due within one year	33	—	18
Bank borrowings — amount due within one year	34	3,819	120,986
Consideration repayable on disposal of subsidiaries	39	—	11,120
		74,451	194,533
Net current assets		281,721	472,509
		1,053,406	1,133,564

	NOTES	**2006** *HK$'000*	**2005** *HK$'000* *(Restated)*
Capital and reserves			
Share capital	35	132,367	132,367
Reserves		898,561	921,321
		1,030,928	1,053,688
Non-current liabilities			
Bank borrowings — amount due after one year	34	—	66,363
Deferred taxation	37	22,478	13,513
		22,478	79,876
		1,053,406	1,133,564

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Translation reserve	Special reserve	Contributed surplus	Investment revaluation reserve	Share option reserve	Accumulated (losses) profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note a)		*(note b)*	*(note c)*				
At 1 April 2004										
— as previously stated	88,245	1,117,131	895,932	—	9,800	—	—	—	(1,443,893)	667,215
— effect of changes in accounting policies *(see note 3)*	—	—	—	—	—	—	—	—	(3,912)	(3,912)
— as restated	88,245	1,117,131	895,932	—	9,800	—	—	—	(1,447,805)	663,303
Profit for the year and total recognised income for the year	—	—	—	—	—	—	—	—	348,469	348,469
Reductions of share premium and capital reserve and offsetting accumulated losses *(see note 35(a))*	—	(1,117,131)	(895,932)	—	—	227,555	—	—	1,785,508	—
Rights issue of shares at a price of HK$0.11 per rights share *(see note 35(b))*	44,122	4,412	—	—	—	—	—	—	—	48,534
2004 final dividend paid	—	—	—	—	—	(6,618)	—	—	—	(6,618)
At 31 March 2005 and 1 April 2005	132,367	4,412	—	—	9,800	220,937	—	—	686,172	1,053,688
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(191,630)	—	—	(191,630)
Share of translation reserve of associates	—	—	—	737	—	—	—	—	—	737
Net income (expenses) recognised directly in equity	—	—	—	737	—	—	(191,630)	—	—	(190,893)
Profit for the year	—	—	—	—	—	—	—	—	172,851	172,851
Total recognised income and expenses for the year	—	—	—	737	—	—	(191,630)	—	172,851	(18,042)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	1,900	—	1,900
2005 final dividend paid	—	—	—	—	—	—	—	—	(6,618)	(6,618)
At 31 March 2006	132,367	4,412	—	737	9,800	220,937	(191,630)	1,900	852,405	1,030,928

Notes:

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

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

(c) The contributed surplus of the Group represents the credit arising from the reduction of certain reserves of the Company in August 2004.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	2006	2005
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	182,534	366,242
Adjustments for:		
Share of results of associates	4,548	(2,876)
Interest income	(8,387)	(2,118)
Interest expense	4,602	3,559
Finance charges on obligations under finance leases	7	7
Depreciation of property, plant and equipment	1,314	1,619
Impairment loss on trade and other receivables	33,513	4,215
Impairment loss on inventories	663	3,571
Share-based payments expense	1,900	—
Loss on disposal of investment properties	1,136	—
Amortisation of permanent textile quota entitlements	—	884
Gain arising on change in fair value of investment properties	(189,730)	(140,690)
Dividend income from listed investments	(126)	—
Gain on disposal of investments held for trading	(83)	—
Gain on disposal of property, plant and equipment	(54)	(143)
Gain on fair value changes of investments held for trading	(12)	—
Unrealised gain on other investments	—	(158,579)
Gain on disposal of subsidiaries	—	(14,149)
Gain on disposal of other investments	—	(919)
Gain on disposal of permanent textile quota entitlements	—	(2)
Operating profit before movements in working capital	31,825	60,621
Decrease in properties held for sale	7,198	35,062
Increase in inventories	(6,006)	(649)
Decrease in trade and other receivables	90,474	6,312
Decrease (increase) in bills receivable	27,705	(28,524)
Increase (decrease) in trade and other payables	4,636	(7,915)
Increase in bills payable	2,950	2,697
Cash from operations	158,782	67,604
Hong Kong Profits Tax paid	(74)	(1,601)
Hong Kong Profits Tax refunded	1,743	1,719
Net cash from operating activities	160,451	67,722

	NOTES	**2006** *HK$'000*	**2005** *HK$'000*
Cash flows from investing activities			
Proceeds from disposal of investment properties		218,864	—
Interest received		8,387	2,118
Net cash inflow (outflow) from loans receivable		5,822	(28,598)
Proceeds from disposal of investments held for trading		2,942	—
Dividend received from listed investments		126	—
Proceeds from disposal of property, plant and equipment		62	152
Capital contribution to associates		(50,969)	—
Purchase of available-for-sale investments		(41,587)	—
Payment of consideration repayable on disposal of subsidiaries		(11,120)	—
Purchase of investments held for trading		(6,447)	—
Purchase of property, plant and equipment		(1,077)	(1,589)
Proceeds from disposal of a subsidiary		—	79,000
Disposal of subsidiaries, net of cash and cash equivalents disposed of	39	—	49,352
Proceeds from disposal of other investments		—	5,158
Acquisition of a subsidiary, net of cash and cash equivalents acquired	38	—	7
Proceeds from disposal of permanent textile quota entitlements		—	2
Purchase of other investments		—	(89,690)
Net cash from investing activities		125,003	15,912
Cash flows from financing activities			
Bank borrowings raised		153,475	22,660
Repayment of bank borrowings		(337,005)	(128,081)
Dividends paid		(6,618)	(6,618)
Interest paid		(4,602)	(3,559)
Repayment of obligations under finance leases		(18)	(19)
Finance charges on obligations under finance leases paid		(7)	(7)
Proceeds from issue of new shares		—	48,534
Net cash used in financing activities		(194,775)	(67,090)
Net increase in cash and cash equivalents		90,679	16,544
Cash and cash equivalents at beginning of the year		83,901	67,357
Cash and cash equivalents at end of the year, represented by bank balances and cash		174,580	83,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2006

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 addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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 and property investments.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

Particulars of the Company's principal subsidiaries as at 31 March 2006 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 Properties Management Limited	Hong Kong	Ordinary HK$10,000	—	100%	Property management
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
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

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	
Planetic International Limited	Hong Kong	Ordinary HK$2	—	100%	Finance company
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

* 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.

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 2006.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based Payments", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given numbers of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to the directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. As all share options of the Group granted on or after 7 November 2002 had lapsed before 1 April 2005, there is no financial effect on the profit or loss for the prior accounting periods.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt and equity securities previously accounted for under the benchmark treatment of Statement of Standard Accounting Practice 24

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

From 1 April 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 April 2005, the Group classified its "other investments" with carrying amount of HK$244,030,000 to "available-for-sale investments" and measured them in accordance with the requirements of HKAS 39. No adjustment has been made to the Group's accumulated profits at 1 April 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1 April 2005 onwards. As a result, the Group's bills receivable discounted with full recourse which were derecognised prior to 1 April 2005 have not been restated. As at 31 March 2005, the Group's bills receivable discounted with full recourse have not been derecognised. Instead, the related borrowings of approximately HK$3,117,000 have been recognised on the balance sheet date as at 31 March 2006. This change in accounting policy has had no material effect on results for the current year.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. In the opinion of the directors of the Company, the allocation between the land and buildings elements cannot be made reliably. Thus the entire lease is classified as finance lease and continues to be accounted for as property, plant and equipment.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 April 2005 onwards (see note 3 for the financial impact).

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures for 2005 have been restated (see note 3 for the financial impact).

The Group has not early applied the following new HKFRSs and HKFRS interpretations ("HK(IFRIC) - INT") that have been issued but are not yet effective. The directors of the Company have commenced considering the potential impact of these new HKFRSs and HKFRS interpretations and anticipate that the adoption of these new HKFRSs and HKFRS interpretations should not result in any significant change in the future as to the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment [3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) — INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives [6]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

[5] Effective for annual periods beginning on or after 1 May 2006.

[6] Effective for annual periods beginning on or after 1 June 2006.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Income statement items		
Increase in gain arising on change in fair value of investment properties	115,621	—
Increase in administrative expenses in relation to share-based payments expense	(1,900)	—
Increase in deferred tax liabilities relating to investment properties	(4,041)	(7,884)
Increase (decrease) in profit for the year	109,680	(7,884)

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	31.3.2005	Retrospective adjustments	31.3.2005	Prospective adjustments	1.4.2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Originally stated)		*(Restated)*		*(Restated)*
Balance sheet items					
HKAS 39					
Other investments	244,030	—	244,030	(244,030)	—
Bills receivable	—	—	—	3,441	3,441
Available-for-sale investments	—	—	—	244,030	244,030
Bank borrowings — amount due within one year	(120,986)	—	(120,986)	(3,441)	(124,427)
HK(SIC) Interpretation 21					
Deferred tax liabilities	(1,717)	(11,796)	(13,513)	—	(13,513)
Total effects on assets and liabilities		(11,796)		—	
Accumulated profits and total effect on equity	697,968	(11,796)	686,172	—	686,172

The cumulative effects of the application of the new HKFRSs as at 31 March 2004 are summarised below:

	31.3.2004	Retrospective adjustments	31.3.2004
	HK$'000	*HK$'000*	*HK$'000*
	(Originally stated)		*(Restated)*
Balance sheet items			
HK(SIC) Interpretation 21			
Deferred tax liabilities and total effect on liabilities	(510)	(3,912)	(4,422)
Accumulated losses and total effect on equity	(1,443,893)	(3,912)	(1,447,805)

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal ordinary course of business, net of discounts.

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

Service income is recognised when services are rendered.

Revenue from sale of developed properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;

- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 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 of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Properties held for sale

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including loans receivable, trade and other receivables, bills receivable and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit and loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities other than financial liabilities at fair value through profit or loss ("Other financial liabilities"). The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including bank borrowings, trade and other payables, obligations under finance leases and bills payable are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Intangible assets

On initial recognition, intangible assets with indefinite useful lives including club debenture acquired separately are recognised at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Impairment of intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment (other than intangible assets)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefit scheme

Payments to defined contribution retirement benefit scheme are charged as expenses as they fall due.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following estimates that have the most significant effect on the amounts recognised in the financial statements.

Impairment allowance on trade receivables

In making the judgement, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection and also evaluates the discontinued future cash flows of the trade debts on management's judgement. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the consolidated financial statements in light of the historical records of the Group and the circumstances of the industry of sourcing and export of cotton-based knitted garments as a whole.

Impairment allowance on loans receivable

The policy for impairment of loans receivable of the Group is based on the evaluation of discounted future cash flows on management's judgement. A considerable amount of judgement is required in estimating the expected future cash flows. If the future estimated cash flows are less than carrying amounts of loans receivables, additional allowances may be required.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, trade and other receivables, loans receivable, bank balances and cash, bank borrowings, trade and other payables and bills payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has currency exposure as majority of its sales are denominated in U.S. dollars which are linked up with Hong Kong dollars. On the other hand, the expenditures including sourcing of garments are mainly denominated in Hong Kong. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In view of nature of garment business, the Group has targeted on the market of cotton-based knitted garments for women, children and infants. The Group has concentration of credit risk as the Group's trade receivables as at 31 March 2006 of approximately HK$24,299,000 was derived from a few major customers. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up action and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Price risk

The Group's available-for-sale investments and investments held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Interest rate risk

The Group has exposed to cash flow interest rate risk through the impact of the rate changes on floating interest rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider repaying bank borrowings when significant interest rate exposure is anticipated.

The Group has also exposed to cash flow interest rate risk through the impact of the rate changes on floating interest rate loans receivable. The management monitors interest rate exposure on loans receivable and will consider not to advance any loans with floating interest rate when significant interest rate exposure is anticipated.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

7. 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:

	2006	2005
	HK$'000	*HK$'000*
Continuing operations:		
Sales of goods	458,666	499,121
Rental income	22,432	24,345
Sales of properties	8,349	39,017
Building management fee income	268	173
Quota income	—	20,369
	489,715	583,025
Discontinued operation *(see note 39)*:		
Bleaching and dyeing services	—	6,976
	489,715	590,001

8. 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 bleaching and dyeing were discontinued in May 2004.

Segment information about these businesses is presented below:

Year 2006

(i) *Income statement*

	Continuing operations					
	Garment sourcing and export *HK$'000*	**Property investment** *HK$'000*	**Investment in securities** *HK$'000*	**Loan financing** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER						
External	458,666	31,049	—	—	—	489,715
Inter-segment	—	3,311	—	—	(3,311)	—
Total	458,666	34,360	—	—	(3,311)	489,715
RESULT						
Segment result	(21,342)	212,484	95	4,219	(3,765)	191,691
Share of results of associates						(4,548)
Finance costs						(4,609)
Profit before taxation						182,534
Taxation						(9,683)
Profit for the year						172,851

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

(ii) *Balance sheet*

	Continuing operations				
	Garment sourcing and export	**Property investment**	**Investment in securities**	**Loan financing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	96,665	605,685	97,587	66,826	866,763
Interests in associates					62,887
Unallocated corporate assets					198,207
Consolidated total assets					1,127,857
LIABILITIES					
Segment liabilities	32,572	12,984	—	22	45,578
Unallocated corporate liabilities					51,351
Consolidated total liabilities					96,929

(iii) *Other information*

	Continuing operations				
	Garment sourcing and export	**Property investment**	**Investment in securities**	**Loan financing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	1,036	41	—	—	1,077
Depreciation of property, plant and equipment	782	532	—	—	1,314
Impairment loss on trade and other receivables	33,315	198	—	—	33,513
Impairment loss on inventories	663	—	—	—	663

Year 2005

(i) *Income statement*

	Continuing operations				Discontinued operations		
	Garment sourcing and export	**Property investment**	**Investment in securities**	**Loan financing**	**Bleaching and dyeing**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External	519,490	63,535	—	—	6,976	—	590,001
Inter-segment	—	3,000	—	—	7	(3,007)	—
Total	519,490	66,535	—	—	6,983	(3,007)	590,001
RESULT							
Segment result	23,667	169,889	159,498	1,926	(258)	(1,939)	352,783
Gain on disposal of subsidiaries					14,149		14,149
Share of results of associates							2,876
Finance costs							(3,566)
Profit before taxation							366,242
Taxation							(17,773)
Profit for the year							348,469

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$19,812,000.

(ii) *Balance sheet*

	Continuing operations				
	Garment sourcing and export	**Property investment**	**Investment in securities**	**Loan financing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	238,525	647,804	244,030	72,560	1,202,919
Interests in associates					15,729
Unallocated corporate assets					109,449
Consolidated total assets					1,328,097
LIABILITIES					
Segment liabilities	15,001	20,625	—	23	35,649
Unallocated corporate liabilities					238,760
Consolidated total liabilities					274,409

(iii) *Other information*

	Continuing operations				Discontinued operations	
	Garment sourcing and export	**Property investment**	**Investment in securities**	**Loan financing**	**Bleaching and dyeing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amortisation of permanent textile quota entitlements	884	—	—	—	—	884
Capital additions	1,572	—	—	—	17	1,589
Depreciation of property, plant and equipment	761	532	—	—	326	1,619
Impairment loss on trade and other receivables	4,215	—	—	—	—	4,215
Impairment loss on inventories	3,571	—	—	—	—	3,571

Geographical segments

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

	Turnover	
	2006	**2005**
	HK$'000	*HK$'000*
Hong Kong	31,049	63,535
The People's Republic of China, excluding Hong Kong (the "PRC")	—	6,976
United States of America ("USA")	422,552	468,968
Canada	609	1,214
Mexico	8,166	12,309
Europe	27,339	36,999
	489,715	590,001

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	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,104,919	1,313,793	1,064	1,563
PRC	—	—	—	17
USA	22,637	12,253	13	9
	1,127,556	1,326,046	1,077	1,589

9. IMPAIRMENT LOSS ON TRADE AND OTHER RECEIVABLES

During the year ended 31 March 2006, impairment loss on trade and other receivables of approximately HK$33,513,000 (2005: HK$4,215,000) was provided of which impairment loss amounting to approximately HK$33,315,000 (2005: nil) was provided in respect of the deposits to a supplier paid by the Group as a result of the voluntary liquidation of such supplier.

10. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2005, the amount represented the gain on disposal of 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 Easyknit Enterprises Holdings Limited (formerly known as "Asia Alliance Holdings Limited") ("Easyknit Enterprises"), an associate of the Group (see note 39).

11. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
— bank borrowings wholly repayable within five years	4,602	3,559
— obligations under finance leases	7	7
	4,609	3,566

12. PROFIT BEFORE TAXATION

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 13(a))*	5,695	7,383
Other staff costs, including retirement benefits costs	19,557	20,415
Share-based payments expense	1,900	—
Total staff costs	27,152	27,798
Amortisation of permanent textile quota entitlements *(note)*	—	884
Auditors' remuneration:		
— current year	689	647
— underprovision in prior years	43	78
Cost of inventories consumed	387,814	420,760
Cost of properties sold	7,198	35,062
Depreciation of property, plant and equipment		
— owned assets	1,296	1,599
— assets held under finance leases	18	20
	1,314	1,619
Impairment loss on inventories	663	3,571
Purchased temporary textile quota entitlements utilised	—	516
and after crediting:		
Dividend income from listed investments	126	—
Gain on disposal of investments held for trading	83	—
Gain on disposal of property, plant and equipment	54	143
Gain on disposal of permanent textile quota entitlements	—	2
Gain on disposal of other investments	—	919
Interest income	8,387	2,118

Note: The amount is included in distribution costs.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

Details of emoluments to the directors of the Company for the year ended 31 March 2006 are as follows:

	Executive director				Independent non-executive director			
	Tse Wing Chiu, Ricky	**Lui Yuk Chu**	**Koon Wing Yee**	**Tsang Yiu Kai**	**Wong Sui Wah, Michael**	**Jong Koon Sang**	**Tsui Chun Kong**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	—	—	100	100	100	300
Other emoluments								
— salaries and other benefits	—	1,927	2,367	900	—	—	—	5,194
— retirement benefits schemes contributions	—	60	96	45	—	—	—	201
Total directors' emoluments	—	1,987	2,463	945	100	100	100	5,695

Details of emoluments to the directors of the Company for the year ended 31 March 2005 are as follows:

	Executive director			Independent non-executive director				
	Lui Yuk Chu	**Koon Wing Yee**	**Tsang Yiu Kai**	**Wong Sui Wah, Michael**	**Jong Koon Sang**	**Tsui Chun Kong**	**Pui Hei, Hectar**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	—	100	24	55	77	256
Other emoluments								
— salaries and other benefits	2,314	3,373	1,200	—	—	—	—	6,887
— retirement scheme contributions	60	120	60	—	—	—	—	240
Total directors' emoluments	2,374	3,493	1,260	100	24	55	77	7,383

(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:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other benefits	1,764	1,541

The emoluments of these employees fall within the following bands:

	Number of employees	
	2006	**2005**
Nil to HK$1,000,000	1	2
HK$1,000,001 - HK$1,500,000	1	—
	2	2

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

14. TAXATION

	2006	**2005**
	HK$'000	*HK$'000*
The charge comprises:		
Current tax — Hong Kong Profits Tax:		
Current year	710	8,677
Underprovision in prior years	8	5
	718	8,682
Deferred taxation *(note 37)*	8,965	9,091
Tax charge attributable to the Company and its subsidiaries	9,683	17,773

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

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	182,534	366,242
Less: Share of (loss) profit of associates	(4,548)	2,876
	187,082	363,366
Tax charge of Hong Kong Profits Tax at 17.5% (2005: 17.5%)	32,739	63,589
Tax effect of expenses not deductible for tax purpose	1,367	1,599
Tax effect of income not taxable for tax purpose	(6,320)	(38,837)
Tax effect of tax losses not recognised	4,526	3,071
Tax effect of utilisation of tax losses previously not recognised	(19,727)	(6,671)
Tax effect of other deductible temporary differences not recognised	(2,958)	(5,031)
Underprovision in prior years	8	5
Others	48	48
Taxation for the year	9,683	17,773

15. DIVIDEND

	2006	2005
	HK$'000	*HK$'000*
Final dividend paid for 2005 of 0.5 HK cent (2004: 0.5 HK cent) per share	6,618	6,618
Proposed final dividend of 0.5 HK cent (2006: nil) per share in 2005	—	6,618

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2006.

16. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on the following data:

	2006	2005
	HK$'000	*HK$'000*
Earnings for the purposes of calculating basic and diluted earnings per share	172,851	348,469

	2006	2005
Number of shares		
Number/weighted average number of shares for the purposes of calculating basic earnings per share	1,323,673,386	1,218,081,240
Effect of dilutive potential shares relating to outstanding share options		5,256,920
Weighted average number of shares for the purpose of calculating diluted earnings per share		1,223,338,160

No diluted earnings per share in 2006 is presented as the exercise price of the Company's outstanding share options was higher than the average market price for the period from the date of grant to 31 March 2006.

The following table summaries the impact on basic and diluted earnings per share as a result of:

	2006		2005	
	Basic	**Diluted**	**Basic**	**Diluted**
	HK$	*HK$*	*HK$*	*HK$*
Figures before adjustments	0.048	N/A	0.293	0.291
Adjustments arising from the adoption of HKFRSs *(see notes 2 and 3)*	0.083	N/A	(0.007)	(0.006)
Restated	0.131	N/A	0.286	0.285

17. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

(a) During the year, the Group had the following transactions with related parties/persons deemed to be "connected persons" by the Stock Exchange, being entities controlled by certain relatives of Mr. Koon Wing Yee, a former director of the Company, and his spouse, Ms. Lui Yuk Chu, a director of the Company:

	2006	**2005**
	HK$'000	*HK$'000*
Purchases of garments	135,420	223,985
Rental income	472	74
Sales of garments	—	503
Bleaching and dyeing charges received	—	978

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

	2006	**2005**
	HK$'000	*HK$'000*
Trade receivables	16	11,923
Deposits paid	—	83,553
Trade and other receivables	16	95,476

The Group, its substantial 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.

(b) During the year, the Group provided administrative service to Easyknit Enterprises, the associate of the Group and a company in which Mr. Koon Wing Yee and Mr. Tsang Yiu Kai, both of whom were former directors of the Company, and Ms. Lui Yuk Chu, a director of the Company, have beneficial interests, and received service income of HK$240,000 (2005: HK$241,000) from that company.

(c) During the year, impairment loss on trade and other receivables of approximately HK$33,315,000 (2005: nil) was provided by the Group in respect of the deposits to a company controlled by Mr. Louie Tsz Chung paid by the Group as a result of the voluntary liquidation of such company. Mr. Louie Tsz Chung is the nephew of Ms. Lui Yuk Chu, a director of the Company.

In addition, the Group also terminated the agreement (as supplemented by a supplemental letter dated 15 June 2004) entered into with Mr. Louie Tsz Chung as a result of the voluntary liquidation of the company controlled by Mr. Louie Tsz Chung.

(d) In May 2004, the Group disposed of the entire issued shares of Po Cheong to a wholly-owned subsidiary of Easyknit Enterprises at a consideration of HK$65,000,000, subject to adjustment, as described in the sale and purchase agreement dated 5 March 2004. The consideration had been subsequently adjusted downwards to HK$38,880,000 on 16 June 2005. Details of the transaction are set out in note 39.

(e) On 20 September 2004, Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Koon Wing Yee and Mr. Tsang Yiu Kai, the former directors of the Company, to acquire the entire issued shares of Easyknit Properties Management Limited ("EPML") from them at a cash consideration of HK$15,000. Details of the transaction are set out in note 38.

(f) Prior to the acquisition of the entire issued shares of EPML, the Group provided administrative service to EPML in which Mr. Koon Wing Yee and Mr. Tsang Yiu Kai, both of whom were former directors of the Company, had beneficial interests and received service income of HK$104,000 from that company for the year ended 31 March 2005.

(g) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Short-term employee benefits	8,325	8,119

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

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION					
At 1 April 2004	41,384	14,666	16,718	2,541	75,309
Additions	—	—	259	1,330	1,589
On disposal of subsidiaries	—	(14,656)	(2,350)	(816)	(17,822)
Disposals	—	(10)	(11)	(762)	(783)
At 31 March 2005	41,384	—	14,616	2,293	58,293
Additions	—	—	281	796	1,077
Disposals	—	—	(2,032)	(610)	(2,642)
At 31 March 2006	41,384	—	12,865	2,479	56,728
Comprising:					
At 31 March 2005					
At cost	12,384	—	14,616	2,293	29,293
At valuation — 1995	29,000	—	—	—	29,000
	41,384	—	14,616	2,293	58,293
At 31 March 2006					
At cost	12,384	—	12,865	2,479	27,728
At valuation — 1995	29,000	—	—	—	29,000
	41,384	—	12,865	2,479	56,728
DEPRECIATION					
At 1 April 2004	18,445	2,094	14,017	1,750	36,306
Provided for the year	530	227	640	222	1,619
On disposal of subsidiaries	—	(2,317)	(928)	(48)	(3,293)
Eliminated on disposals	—	(4)	(8)	(762)	(774)
At 31 March 2005	18,975	—	13,721	1,162	33,858
Provided for the year	530	—	422	362	1,314
Eliminated on disposals	—	—	(2,025)	(609)	(2,634)
At 31 March 2006	19,505	—	12,118	915	32,538
CARRYING VALUES					
At 31 March 2006	21,879	—	747	1,564	24,190
At 31 March 2005	22,409	—	895	1,131	24,435

Note: Owner-occupied leasehold land situated in Hong Kong is included in property, plant and equipment as the allocation between the land and buildings elements cannot be made reliably.

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

Leasehold properties	Over the duration of the leases or fifty years, whichever is the shorter
Plant and machinery	9% to 18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

The carrying value of leasehold properties shown above comprises:

	2006	**2005**
	HK$'000	*HK$'000*
Properties held on medium-term lease in Hong Kong	21,879	22,409

The valuation of certain leasehold properties was carried out by Jones Lang Wootton Ltd., a firm of independent professional property valuers, at 31 October 1994 on an open market value vacant possession basis. Had all these leasehold properties been carried at cost less accumulated depreciation, their carrying value would have been stated at HK$26,637,000 (2005: HK$27,320,000).

At 31 March 2005, the carrying value of plant and machinery of the Group included an amount of HK$18,000 (2006:nil) in respect of assets held under finance leases.

19. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2004	479,280
Surplus arising on revaluation of investment properties	140,690
At 31 March 2005	619,970
Increase in fair value recognised in the income statement	189,730
Disposed of during the year	(220,000)
At 31 March 2006	589,700

The fair value of the Group's investment properties at 31 March 2006 has been arrived at on the basis of a valuation carried out on that day by Messrs. Knight Frank, independent qualified professional property valuers not connected with the Group. Messrs. Knight Frank are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications. The valuation, which conforms to The Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transactions prices for similar properties.

All the Group's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

20. INTANGIBLE ASSET

The intangible asset represents club debenture with indefinite useful life and is carried at cost.

The club debenture is considered by the management of the Group as having an indefinite useful life because there is no contractual life for the club debenture. There is no indication that the club debenture may be impaired as a result of the impairment test carried out by the management of the Group with reference to the second-hand market price of the club debenture at the balance sheet date.

21. INTERESTS IN ASSOCIATES

	2006	**2005**
	HK$'000	*HK$'000*
Listed securities in Hong Kong, at cost	75,676	24,707
Share of post-acquisition losses	(13,526)	(1,720)
Share of translation reserve	737	—
Unrealised gain on disposal of Po Cheong to Easyknit Enterprises *(note)*	—	(7,258)
	62,887	15,729
Market value of listed securities	239,845	13,595

Note: The amount represented the unrealised gain on disposal of entire issued shares of Po Cheong to a wholly-owned subsidiary of Easyknit Enterprises during the year ended 31 March 2005 (see note 39).

During the year ended 31 March 2006, the whole amount of goodwill arising from acquisition of Po Cheong by Easyknit Enterprises was fully impaired, as a result, the unrealised gain on disposal of Po Cheong to Easyknit Enterprises amounting to HK$7,258,000 was recognised as realised gain in the consolidated income statement of the Company for the year ended 31 March 2006 and the amount was included in the share of results of associates for the year.

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

	2006	2005
	HK$'000	*HK$'000*
Total assets	185,541	119,667
Total liabilities	(10,513)	(55,646)
Net assets	175,028	64,021
Group's share of net assets of associates	62,887	22,987
Turnover	58,039	53,662
(Loss) profit for the year	(32,857)	6,104
Group's share of results of associates for the year	(11,806)	2,199
Realised gain on disposal of Po Cheong to Easyknit Enterprises	7,258	677
Total share of results of associates for the year	(4,548)	2,876

Particulars of the Group's principal associates as at 31 March 2006 are as follows:

Name of associate	**Form of business structure**	**Place of incorporation/ registration**	**Principal place of operation**	**Class of shares held**	**Proportion of nominal value of issued capital/ registered capital/stated capital held by the Group**	**Nature of business**
Easyknit Enterprises Holdings Limited	Incorporated	Bermuda	Hong Kong	Ordinary	35.93%	Investment holding
Easyknit (Mauritius) Limited	Establishment	Republic of Mauritius	Hong Kong	N/A	35.93%*	Investment holding
Po Cheong International Enterprises Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	Investment holding
Tat Cheong International (HK) Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	Investment holding
東莞永耀漂染有限公司 ("Wing Yiu") **	Establishment	PRC	PRC	N/A	35.93%*	Bleaching and dyeing
永義紡織(河源)有限公司 ("He Yuan") ***	Establishment	PRC	PRC	N/A	35.93%*	Knitting
永義製衣(湖州)有限公司 ("Huzhou Garment")****	Establishment	PRC	PRC	N/A	35.93%*	Garment manufacturing
永義紡織(湖州)有限公司 ("Huzhou Knitting")*****	Establishment	PRC	PRC	N/A	35.93%*	Knitting
永義漂染(湖州)有限公司 ("Huzhou Bleaching and Dyeing")******	Establishment	PRC	PRC	N/A	35.93%*	Bleaching and dyeing

* These companies are wholly-owned subsidiaries of Easyknit Enterprises.

** Wing Yiu is a wholly foreign owned enterprise established in the PRC, to be operated for 10 years up to 20 August 2011.

*** He Yuen is a wholly foreign owned enterprise established in the PRC, to be operated for 15 years up to 7 March 2019.

**** Huzhou Garment is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 14 December 2054.

***** Huzhou Knitting is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 5 January 2055.

****** Huzhou Bleaching and Dyeing is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 4 January 2055.

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

22. AVAILABLE-FOR-SALE INVESTMENTS

	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at market value	93,987	—

At 31 March 2006, all available-for-sale investments are stated at fair value and the fair value of the investments has been determined by reference to bid prices quoted in active markets.

23. 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 cost at the balance sheet date.

24. INVESTMENTS HELD FOR TRADING

	2006	2005
	HK$	*HK$*
Equity securities listed in Hong Kong at market value	3,600	—

At 31 March 2006, the investments held for trading are stated at fair value and the fair value of the investments has been determined by reference to bid prices quoted in active markets.

25. OTHER INVESTMENTS

	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at market value	—	244,030

26. INVENTORIES

All inventories are finished goods at the balance sheet date.

27. TRADE AND OTHER RECEIVABLES

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	24,299	34,682
Deposits to suppliers	42,585	153,748
Other receivables	5,342	7,783
	72,226	196,213

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:

	2006	2005
	HK$'000	*HK$'000*
0 - 60 days	22,818	28,665
61 - 90 days	1,003	2,742
Over 90 days	478	3,275
	24,299	34,682

The fair value of the Group's trade and other receivables at 31 March 2006 approximates the corresponding carrying amount.

28. LOANS RECEIVABLE

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

	2006	2005
	HK$'000	*HK$'000*
Amount secured by property interests and bearing interest at 6% (2005: 2%) per annum	7,000	4,800
Unsecured amount		
— guaranteed by outside parties and bearing interest at 3% to Hong Kong Interbank Offer Rate ("HIBOR") plus 2.125% (2005: 2% to 6%) per annum	59,003	54,725
— bearing interest at 10% (2005: 3% to 10%) per annum	50	12,350
	66,053	71,875

The fair value of the Group's loans receivable at 31 March 2006 approximates the corresponding carrying amount.

29. BILLS RECEIVABLE

Bills receivable included discounted bills with recourse of HK$3,117,000 at 31 March 2006. The maturity date of the discounted bills with recourse is within three months from inception date of the discounted bills.

The fair value of the Group's bills receivable at 31 March 2006 approximates the corresponding carrying amount.

30. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 1.50% to 4.19% (2005: 0.01% to 0.06%) per annum. The fair values of these assets approximate their corresponding carrying amounts.

31. TRADE AND OTHER PAYABLES

Included in trade and other payables is trade payables of approximately HK$26,163,000 (2005: HK$9,858,000). The aged analysis of trade payables at the balance sheet date is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
0 - 60 days	26,009	9,507
61 - 90 days	2	14
Over 90 days	152	337
	26,163	9,858

The fair value of the Group's trade and other payables at 31 March 2006 approximates the corresponding carrying amount.

32. BILLS PAYABLE

At the balance sheet date, the bills payable is aged within 30 days. The fair value of the Group's bills payable at 31 March 2006 approximates the corresponding carrying amount.

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	—	25	—	18
Less: Future finance charges	—	(7)	—	—
Present value of lease obligations	—	18	—	18
Less: Amount due within one year shown under current liabilities			—	(18)
Amount due after one year			—	—

34. BANK BORROWINGS

	2006	**2005**
	HK$'000	*HK$'000*
Discounted bills with recourse	3,117	—
Import loans	702	12,514
Bank loans	—	174,835
	3,819	187,349
Less: Amount due within one year shown under current liabilities	(3,819)	(120,986)
Amount due after one year	—	66,363

At the balance sheet date, the Group's bank borrowings are repayable as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	3,819	120,986
In more than one year but not more than two years	—	44,863
In more than two years but not more than three years	—	15,500
In more than three years but not more than four years	—	6,000
	3,819	187,349

All of the Group's bank borrowings are at variable-rate and the range of effective interest rates of the Group's bank borrowings are as follows:

	2006	2005
Effective interest rate		
Variable-rate borrowings	0.8% per annum over HIBOR to 1% per annum over the bank's Hong Kong dollars best lending rate	0.8% per annum over HIBOR to 1% per annum over the bank's Hong Kong dollars best lending rate

The above bank borrowings are secured by certain leasehold properties and investment properties of the Group (see note 40).

The maturity date of the discounted bills with recourse is within three months from inception date of the discounted bills. The fair value of the Group's bank borrowings approximates the corresponding carrying amount calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

The Group's bank borrowings that are denominated in currency other than the functional currency, are set out below:

	2006	2005
	Amount	*Amount*
U.S. dollars	US$34,000	US$109,000

35. SHARE CAPITAL

	Notes	Nominal value per share	Number of shares	Amount
		HK$		*HK$'000*
Authorised:				
At 1 April 2004		0.10	30,000,000,000	3,000,000
Reduction of authorised share capital	(a)	0.10	(20,000,000,000)	(2,000,000)
At 31 March 2005 and 31 March 2006		0.10	10,000,000,000	1,000,000
Issued and fully paid:				
At 1 April 2004		0.10	882,448,924	88,245
Rights issue of shares at a price of HK$0.11 per rights share	(b)	0.10	441,224,462	44,122
At 31 March 2005 and 31 March 2006		0.10	1,323,673,386	132,367

Notes:

(a) 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. Details of this are set out, inter alia, in the circular of the Company dated 29 June 2004 issued by the Company. A resolution approving the proposed reduction was passed at the special general meeting of the Company held on 28 July 2004.

(b) Rights issue of 441,224,462 shares of HK$0.10 each at a subscription price of HK$0.11 per rights share were allotted to the shareholders of the Company in proportion of one rights share for every two existing shares then held. The Company raised HK$47,500,000 (net of expenses), out of which HK$40,000,000 was used to repay the Group's bank borrowings and the balance was used for general working capital purpose.

All shares issued rank pari passu with the then existing shares in issue in all respects.

36. SHARE OPTION SCHEME

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

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

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

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

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

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

A summary of the movements of the Company's share options during the year ended 31 March 2006 is as follows:

				Number of share options			
Grantee	**Date of grant**	**Exercise period**	**Exercise price**	**At 1 April 2005**	**Granted during the year**	**At 31 March 2006**	**Share price at grant date of options**
			HK$ *(note 2)*				*HK$* *(note 3)*
Employees	2 March 2006	2 March 2006 to 1 September 2006 *(note 1)*	0.1418	—	132,360,000	132,360,000	0.1340

A summary of the movements of the Company's share options during the year ended 31 March 2005 is as follows:

				Number of share options (adjusted as appropriate)					
Grantee	**Date of grant**	**Exercise period**	**Exercise price**	**At 1 April 2004**	**Granted during the year**	**Adjustment***	**Lapsed during the year**	**At 31 March 2005**	**Share price at grant date of options**
			HK$ *(note 2)*						*HK$* *(note 3)*
Employees	20 February 2004	20 February 2004 to 19 August 2004 *(note 1)*	0.1440	88,000,000	—	(88,000,000)	—	—	0.1430
			0.1380*	—	—	132,000,000	(132,000,000)	—	
	18 November 2004	18 November 2004 to 17 March 2005 *(note 1)*	0.1310	—	132,360,000	—	(132,360,000)	—	0.1250

No share options were exercised or cancelled during both years.

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

* The number of share options and the corresponding exercise price have been adjusted as a result of the rights issue of shares of the Company in June 2004.

Notes:

(1) The share options have no vesting period and are exercisable from the date of grant.

(2) The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the share capital of the Company.

(3) The share price at grant date of options 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.

The fair value of share options granted during the year ended 31 March 2006 is calculated of using the Black-Scholes option pricing model. The assumptions used are as follows:

Date of grant	2 March 2006
Weighted average share price	HK$0.1278
Exercise price	HK$0.1418
Expected life of options	0.5 years
Expected volatility	46.42%
Expected dividend yield	3.73%
Risk-free interest rate	5.0%
Estimated fair value of option at grant date	HK$0.0144
Closing share price at grant date	HK$0.1340

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of weekly share prices over thirty weeks immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

There is no financial impact on the results of the Group in prior years upon application of HKFRS 2 as the share options granted on 20 February 2004 and 18 November 2004 were granted after 7 November 2002 and had been vested before 1 April 2005 in accordance with the relevant transitional provisions of HKFRS 2.

37. DEFERRED TAXATION

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

	Accelerated tax depreciation	Investment properties	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004				
— as previously stated	100	4,366	(3,956)	510
— effect of changes in accounting policies *(see notes 2 and 3)*	—	9,287	(5,375)	3,912
— as restated	100	13,653	(9,331)	4,422
Charge to income statement	158	8,550	383	9,091
At 31 March 2005	258	22,203	(8,948)	13,513
Charge (credit) to income statement	132	21,680	(12,847)	8,965
At 31 March 2006	390	43,883	(21,795)	22,478

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:

	2006	2005
	HK$'000	*HK$'000*
Tax losses	123,781	210,642
Accelerated tax depreciation	—	54
Miscellaneous allowance	—	16,850
	123,781	227,546

At 31 March 2006, the Group has unused tax losses of HK$248,324,000 (2005: HK$261,770,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$124,543,000 (2005: HK$51,128,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$123,781,000 (2005: HK$210,642,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except the losses of HK$36,131,000 (2005: HK$28,481,000) which will expire as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Year of expiry		
2022	1,821	1,821
2023	2,163	2,163
2024	11,225	11,225
2025	13,272	13,272
2026	7,650	—
	36,131	28,481

Other deductible temporary differences of HK$16,904,000 (2006: nil) as at 31 March 2005 had not been recognised as it was not probable that taxable profit would be available against which the deductible temporary differences can be utilised.

38. ACQUISITION OF A SUBSIDIARY

During the year ended 31 March 2005, the Group acquired the entire issued shares of EPML from Mr. Koon Wing Yee and Mr. Tsang Yiu Kai, former 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.

	HK$'000
Net assets acquired	
Bank balances and cash	22
Other payables	(7)
Total consideration	15
Satisfied by:	
Cash	15
Net cash inflow of cash and cash equivalents in respect of the acquisition of a subsidiary:	
Cash consideration paid	(15)
Bank balances and cash acquired	22
	7

The subsidiary acquired during the year ended 31 March 2005 did not have any significant impact on the results and cash flows of the Group.

39. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2005, the Group agreed to sell the entire issued shares of Po Cheong to a wholly-owned subsidiary of Easyknit Enterprises, at a consideration of HK$65,000,000, subject to adjustment, as described in the sale and purchase agreement dated 5 March 2004. 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). The adjustment was finalised on 16 June 2005 and the revised consideration was determined to be HK$38,880,000 and accordingly, an amount of HK$11,120,000 was recognised as consideration repayable in the consolidated balance sheet at 31 March 2005. The amount was fully repaid during the year ended 31 March 2006.

The disposal of subsidiaries constituted a discontinued operation of the Group during the year ended 31 March 2005 and the disposal was completed on 17 May 2004.

	HK$'000
The net assets of the subsidiaries at the date of disposal were as follows:	
Net assets disposed of	
Property, plant and equipment	14,529
Inventories	3,010
Trade and other receivables	19,973
Bank balances and cash	423
Trade and other payables	(10,752)
Bills payable	(1,837)
Bank loans	(8,775)
	16,571
Gain on disposal of subsidiaries	
— realised	14,149
— unrealised	7,935
Total consideration	38,655
Satisfied by:	
Cash consideration	
— Cash received	50,000
— Consideration repayable	(11,120)
Expenses incurred in connection with the disposal of subsidiaries	(225)
	38,655
Net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries:	
Cash received	50,000
Expenses incurred in connection with the disposal of subsidiaries	(225)
Bank balances and cash disposed of	(423)
	49,352

The results of the discontinued operations were as follows:

	HK$'000
Turnover	6,983
Cost of sales	(6,465)
Gross profit	518
Other income	15
Distribution costs	(113)
Administrative expenses	(678)
Finance costs	(17)
Loss for the year	(275)

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

Net cash used in operating activities	(1,837)
Net cash used in investing activities	(12)
Net cash from financing activities	725
Net cash outflow	(1,124)

40. PLEDGE OF ASSETS

At 31 March 2006, certain leasehold properties and investment properties of the Group with carrying amounts of HK$9,116,000 (2005: HK$9,337,000) and HK$588,000,000 (2005: HK$619,010,000), respectively, have been pledged to banks to secure the bank borrowings granted to the Group.

41. CONTINGENT LIABILITIES

	2006	**2005**
	HK$'000	*HK$'000*
Bills discounted with recourse	—	3,441

42. CAPITAL COMMITMENTS

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

43. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2006	**2005**
	HK$'000	*HK$'000*
Minimum lease payments recognised in the consolidated income statement during the year	2,959	3,130

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

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	2,487	2,727
In the second to fifth year inclusive	1,400	1,686
	3,887	4,413

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 three years.

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

The Group as lessor

	2006	**2005**
	HK$'000	*HK$'000*
Property rental income earned during the year	22,432	24,345
Less: Outgoings	(679)	(725)
Net rental income	21,753	23,620

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

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	14,646	24,224
In the second to fifth year inclusive	8,388	11,610
	23,034	35,834

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 properties held have committed tenants for a term of one to three years.

44. 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 which have been dealt with in the consolidated income statement for the year ended 31 March 2006 amounted to approximately HK$795,000 (2005: HK$811,000).

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

45. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 March 2006:

a) As announced by the Company on 8 March 2006, the Company proposed a rights issue of 661,836,693 rights shares of HK$0.10 each at a subscription price of HK$0.12 per rights share in the proportion of one rights share for every two shares of the Company held. Details of this are set out, inter alia, in the prospectus of the Company dated 3 April 2006.

b) As announced by the Company on 22 May 2006, the Company proposed a voluntary delisting (the "Delisting") of the Company's shares in The Singapore Exchange Securities Trading Limited. On 26 June 2006, The Singapore Exchange Securities Trading Limited has granted in-principle approval for the Delisting, subject to the approval of the shareholders of the Company at a special general meeting to be convened on 31 July 2006. Details of the Delisting are set out in the circular of the Company dated 7 July 2006.

c) As announced by the Company on 8 June 2006, the Company proposed to acquire entire issued share capital of Happy Light Investments Limited ("Happy Light"), a company incorporated in the British Virgin Islands, for a consideration of approximately HK$53,680,000. Through the acquisition of Happy Light, the Group acquired the right to acquire 18 out of 20 properties situated in Victory Avenue, Kowloon, Hong Kong (the "Building"). The Group intends to acquire the remaining 2 units and estimates that it will incur approximately HK$170,000,000 in total for the whole Building for re-development. Details of this are set out, inter alia, in the circular of the Company dated 3 July 2006.

The net assets of Happy Light acquired in the transaction are as follows:

	Carrying amount and fair value
	HK$'000
Net assets of Happy Light acquired:	
Properties held under re-development	42,090
Trade and other receivables	162
Deposits paid for acquisition of properties	9,570
Deposits paid for consultancy fee	2,030
Trade and other payables	(172)
Amount due to sole shareholder and director	(11,606)
	42,074
Assignment of amount due to sole shareholder and director	11,606
Total consideration satisfied by cash and cash outflow arising on acquisition of Happy Light	53,680

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the existing banking facilities available and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances.

4. INDEBTEDNESS

At the close of business on 31 August 2006, being the latest practicable date for ascertaining this indebtedness prior to the printing of this Circular, the Group had no outstanding borrowings.

Apart from intra-group liabilities, the Group did not have at the close of business on 31 August 2006 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

5. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Capital Reorganisation and the Rights Issue on the net tangible assets of the Group as if the Capital Reorganisation and the Rights Issue had been completed on 31 March 2006. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Capital Reorganisation and the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the net tangible assets of the Group as at 31 March 2006 as extracted from the published audited annual results of the Group as of 31 March 2006 and is adjusted for the effect of the Capital Reorganisation and the Rights Issue.

Audited consolidated net tangible assets as at 31 March 2006	Estimated net proceeds from the Rights Issue *(Note 1)*	Unaudited pro forma adjusted consolidated net tangible assets of the Group after the Capital Reorganisation and the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share immediately after completion of the Capital Reorganisation and the Rights Issue *(Note 2&3)*
HK$'000	*HK$'000*	*HK$'000*	*HK$*
1,030,007	204,980	1,234,987	1.55

Notes:

1. The estimated net proceeds from the Rights Issue are based on 595,653,021 Rights Shares of HK$0.01 each at HK$0.35 per Rights Share, after deducting the estimated underwriting fees and other related expenses of approximately HK$3.5 million to be incurred by the Company.

2. The calculation of the unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share is based on 794,204,028 Adjusted Shares expected to be in issue immediately after completion of the Capital Reorganisation and the Rights Issue.

3. The unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share does not include the following fund raising exercise and transaction, which took place after the latest published audited annual results of the Group as at 31 March 2006, as they were not directly attributable to the Rights Issue:

    a. the rights issue of 661,836,693 rights shares of HK$0.10 each at a subscription price of HK$0.12 per rights share in the proportion of one rights share for every two shares of the Company as announced on 8 March 2006. Details of which are set out in the prospectus of the Company dated 3 April 2006; and

b. the acquisition of the entire issued share capital of Happy Light Investments Limited ("Happy Light") as announced on 8 June 2006. Happy Light is a property investment company incorporated in the British Virgin Islands on 21 March 2006. Through the acquisition of Happy Light, the Group acquired the right to acquire 18 out of 20 properties situated in Victory Avenue, Kowloon, Hong Kong. The aggregate consideration for the acquisition of Happy Light and the aforementioned 18 properties was approximately HK$139.71 million, which was satisfied partly by internal resources of the Group and partly by the net proceeds raised from the rights issue exercise as described in note 3a above, details of which are set out in the circular of the Company dated 3 July 2006. The Directors also confirmed that there was no variation to the remuneration of the directors of Happy Light after the acquisition.

6. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Easyknit International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed capital reorganisation and the proposed rights issue of 595,653,021 rights shares of HK$0.01 each at HK$0.35 per rights share payable in full upon acceptance on the basis of three rights shares for every one adjusted share held, might have affected the consolidated net tangible assets of the Group presented, for inclusion in Section 5 of Appendix II of the circular of the Company dated 22 September 2006 (the "Circular"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out in Section 5 of Appendix II of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets 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 statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2006 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 September 2006

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

A. Interests in the Company

1. *Interests in issued Shares*

Name of Director	Nature of interest	Number of issued ordinary Shares (long position)	Approximate percentage of interest
Lui Yuk Chu *(Note)*	Beneficiary of a trust	729,487,017	36.74%

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

2. *Interests in unissued Adjusted Shares*

Name of Director	Nature of interest	Number of unissued ordinary Adjusted Shares (long position)	Approximate percentage of interest
Lui Yuk Chu *(Note)*	Beneficiary of a trust	218,846,103	36.74%

Note: These are the Rights Shares which Magical Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Magical Profits was interested in approximately 36.74% of the issued share capital of the Company and 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 her spouse).

B. **Interests in associated corporations**

1. *Easyknit Enterprises Holdings Limited*

Name of Director	Nature of interest	Number of ordinary shares (long position)	Approximate percentage of interest
Lui Yuk Chu *(Note)*	Beneficiary of a trust	1,410,852,520	35.93%

Note: These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits 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 her spouse).

2. *Wellmake Investments Limited ("**Wellmake**") (Note a)*

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

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

Note b: One non-voting deferred share was held by Ms. Lui Yuk Chu as beneficial owner and the other one was held by her spouse, Mr. Koon Wing Yee.

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

At the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2006 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to any member of the Group.

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

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons ("**Substantial Shareholders**") (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares 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 meeting of any other members of the Group, or had any options in respect of such shares are set out below:

A. Interests in issued Shares

Name of Substantial Shareholder	Nature of interest	Number of issued ordinary Shares (long position)	Approximate percentage of interest
Koon Wing Yee *(Note a)*	Interest of spouse	729,487,017	36.74%
Magical Profits *(Notes a & b)*	Beneficial owner	729,487,017	36.74%
Accumulate More Profits Limited *(Notes a & b)*	Interest of controlled corporation	729,487,017	36.74%
Trustcorp Limited *(Notes a & c)*	Trustee	729,487,017	36.74%
Newcorp Ltd. *(Note c)*	Interest of controlled corporation	729,487,017	36.74%
Newcorp Holdings Limited *(Note c)*	Interest of controlled corporation	729,487,017	36.74%
David Henry Christopher Hill *(Note c)*	Interest of controlled corporation	729,487,017	36.74%
David William Roberts *(Note c)*	Interest of controlled corporation	729,487,017	36.74%
Rebecca Ann Hill *(Note c)*	Interest of spouse	729,487,017	36.74%

Notes:

(a) The 729,487,017 Shares relate to the same block of Shares. These Shares were registered in the name of and were beneficially owned by Magical Profits, which was a wholly-owned subsidiary of Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 729,487,017 Shares by virtue of the SFO.

(b) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits and Accumulate More Profits Limited.

(c) Trustcorp Limited was a wholly-owned subsidiary of Newcorp Ltd.. Newcorp Ltd. was wholly-owned by Newcorp Holdings Limited. Each of Mr. David Henry Christopher Hill and Mr. David William Roberts was interested in 35% of the issued share capital of Newcorp Holdings Limited. Mrs. Rebecca Ann Hill, being the spouse of Mr. David Henry Christopher Hill, was deemed to be interested in the 729,487,017 Shares by virtue of the SFO.

B. **Interests in unissued Adjusted Shares**

Name of Substantial Shareholder	**Nature of interest (long position)**	**Number of unissued ordinary Adjusted Shares**
Koon Wing Yee *(Note a)*	Interest of spouse	218,846,103
Magical Profits *(Notes a & b)*	Beneficial owner	218,846,103
Accumulate More Profits Limited *(Notes a & b)*	Interest of controlled corporation	218,846,103
Trustcorp Limited *(Notes a & c)*	Trustee	218,846,103
Newcorp Ltd. *(Note c)*	Interest of controlled corporation	218,846,103
Newcorp Holdings Limited *(Note c)*	Interest of controlled corporation	218,846,103
David Henry Christopher Hill *(Note c)*	Interest of controlled corporation	218,846,103
David William Roberts *(Note c)*	Interest of controlled corporation	218,846,103
Rebecca Ann Hill *(Note c)*	Interest of spouse	218,846,103
Get Nice Holdings Limited *(Note d)*	Interest of controlled corporation	376,806,918
Get Nice Incorporated *(Note d)*	Interest of controlled corporation	376,806,918
Honeylink Agents Limited *(Note d)*	Interest of controlled corporation	376,806,918
Cheer Union Securities Limited *(Note e)*	Beneficial owner	142,801,103

Notes:

(a) These are the Rights Shares which Magical Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Magical Profits 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 her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interest in 218,846,103 Rights Shares by virtue of the SFO.

(b) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits and Accumulate More Profits Limited.

(c) Trustcorp Limited was a wholly-owned subsidiary of Newcorp Ltd.. Newcorp Ltd. was wholly-owned by Newcorp Holdings Limited. Each of Mr. David Henry Christopher Hill and Mr. David William Roberts was interested in 35% of the issued share capital of Newcorp Holdings Limited. Mrs. Rebecca Ann Hill, being the spouse of Mr. David Henry Christopher Hill, was deemed to be interested in the 218,846,103 Rights Shares by virtue of the SFO.

(d) These are the Rights Shares which the Underwriter has underwritten in respect of the Rights Issue. The Underwriter was wholly-owned by Get Nice Incorporated which in turn was wholly-owned by Get Nice Holdings Limited. Get Nice Holdings Limited was owned as to approximately 32.15% by Honeylink Agents Limited. Mr. Hung Hon Man is the beneficial owner of Honeylink Agents Limited.

(e) These are the Rights Shares which Cheer Union Securities Limited has sub-underwritten in respect of the Rights Issue from the Underwriter.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

4. 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) the excess application form in respect of the application for 34,100,000 excess rights shares of Capital Estate Limited (stock code: 193) made by Mark Profit Development Limited ("**Mark Profit**"), a wholly-owned subsidiary of the Company, on 17 October 2005. Mark Profit was allotted 33,286,000 excess rights shares of Capital Estate Limited at a total consideration of HK$33,286,000;

(b) an underwriting agreement dated 7 March 2006 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of a rights issue of the Company; and

(c) the Underwriting Agreement.

5. LITIGATION

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

6. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that, save as publicly disclosed, there has not been any material adverse change in the financial or trading position of the Group since 31 March 2006, being the date to which the latest published audited accounts of the Group were made up.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

8. SERVICE CONTRACTS

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

9. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK$3.5 million and are payable by the Company.

10. QUALIFICATIONS OF EXPERTS AND CONSENTS

The following are the qualifications of the professional advisers and experts who have given opinions or advice contained in this circular:

Name	Qualification
Access Capital	a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants

Access Capital and Deloitte Touche Tohmatsu has each given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and letter (if any), as the case may be, or references to its name in the form and context in which they respectively appear.

11. EXPERTS' INTERESTS IN ASSETS

As at the Latest Practicable Date, each of Access Capital and Deloitte Touche Tohmatsu:

(a) was not interested, directly or indirectly in any assets which have been, since 31 March 2006 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group; and

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

12. MISCELLANEOUS

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

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

(c) 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, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong up to and including 16 October 2006:

(a) the memorandum of association and bye-laws of the Company;

(b) the irrevocable undertaking letter dated 28 August 2006;

(c) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(d) the annual reports of the Company for the two years ended 31 March 2006;

(e) the letter of advice from Access Capital, the text of which is set out on pages 31 to 46;

(f) the letters of consent referred to in the section headed "Qualifications of Experts and Consents" in this appendix;

(g) the accountants' report on pro forma financial information relating to unaudited adjusted consolidated net tangible asset value;

(h) the circular dated 3 July 2006 relating to a major transaction of the Company; and

(i) this circular.

EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Easyknit International Holdings Limited ("**Company**") will be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 16 October 2006 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. "**THAT**, conditional upon:

(a) the Listing Committee of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") granting listing of, and permission to deal in, the Adjusted Shares (as defined below); and

(b) the publication of a notice in relation to the share capital reduction (as set out in paragraph (ii)(a) below) in accordance with the Companies Act 1981 of Bermuda (as amended),

with effect from 9:00 am on 17 October 2006 ("**Effective Date**"):

(i) every ten issued and unissued ordinary shares of the Company of HK$0.10 par value each ("**Shares**") be consolidated ("**Share Consolidation**") into one share of HK$1.00 par value each ("**Consolidated Share**");

(ii) thereafter, (a) the par value of all issued Consolidated Shares be reduced from HK$1.00 to HK$0.01 by cancelling their paid-up capital to the extent of HK$0.99 per issued Consolidated Share resulting in the reduction of issued share capital of the Company from HK$198,551,007 divided into 198,551,007 Consolidated Shares to HK$1,985,510.07 divided into 198,551,007 shares of HK$0.01 par value each ("**Adjusted Shares**"); (b) each authorised but unissued Consolidated Share of HK$1.00 par value each be sub-divided into 100 unissued Adjusted Shares of HK$0.01 par value each); and (c) the credit arising from the cancellation of paid-up capital of HK$196,565,496.93 be transferred to the capital reserve account of the Company which may be used for such purpose as the Directors may think fit (collectively referred to as "**Capital Reduction**");

(the Share Consolidation and the Capital Reduction are collectively referred to as "**Capital Reorganisation**"); and

(iii) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they may, in their absolute discretion, deem necessary, desirable or appropriate to effect and implement any of the foregoing."

* *For identification only*

ORDINARY RESOLUTION

2. "**THAT** conditional on (a) the passing of Special Resolution No. 1 as set out in the notice convening the special general meeting at which this resolution is proposed and the Capital Reorganisation referred to therein becoming effective; (b) the obligations of Get Nice Investment Limited ("**Underwriter**") and the Company under the underwriting agreement dated 28 August 2006 ("**Underwriting Agreement**") (a copy of the Underwriting Agreement has been produced to this meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) becoming unconditional; and (c) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares (as defined below) in their nil-paid and fully-paid forms:

   (i) the Underwriting Agreement be and is hereby confirmed, approved and ratified;

   (ii) the issue of 595,653,021 new Adjusted Shares ("**Rights Shares**") pursuant to an offer by way of rights to holders of the Adjusted Shares in the Company at HK$0.35 per Rights Share ("**Rights Issue**") in the proportion of three Rights Shares for every Adjusted Share held by holders of Adjusted Shares ("**Shareholders**") whose names appear on the register of members of the Company on 16 October 2006 (or such other date as the Underwriter may be agreed in writing with the Company) ("**Record Date**") other than those Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the directors of the Company, after making relevant enquiry, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, on and subject to the terms and conditions set out in the circular to the Shareholders dated 22 September 2006 ("**Circular**") and on such other terms and conditions as may be determined by the directors of the Company be and is hereby approved; and

   (iii) the directors of the Company be and are hereby authorised to issue and allot the Rights Shares on terms as set out in the Circular and to do all such acts and things, to sign and execute all such further documents and to take such steps as the directors of the Company may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and the Underwriting Agreement or any of the transactions contemplated thereunder."

By order of the board of
Easyknit International Holdings Limited
Tse Wing Chiu, Ricky
President and Chief Executive Officer

Hong Kong, 22 September 2006

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting of the Company convened by the above notice 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 seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong not less than forty-eight hours before the time for holding the meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

6. A form of proxy for use at the special general meeting of the Company is enclosed herewith.

As of the date hereof, the executive directors of the Company are Mr. Tse Wing Chiu, Ricky and Ms. Lui Yuk Chu and the independent non-executive directors are Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong and Mr. Jong Koon Sang.