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, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

This circular is addressed to the shareholders of the Company in connection with a special general meeting of the Company to be held on 24 December 2008.

Easyknit International Holdings Limited

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1218)

MAJOR TRANSACTION
FULL ACCEPTANCE OF PROVISIONAL ALLOTMENT UNDER THE RIGHTS ISSUE OF EASYKNIT ENTERPRISES HOLDINGS LIMITED

A notice convening the SGM of Easyknit International Holdings Limited to be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 24 December 2008 at 9:00 a.m. is set out on pages 128 to 129 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

**For identification only*

Hong Kong, 8 December 2008

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

"associates"	the same meaning ascribed to it in the Listing Rules
"Company"	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"connected persons"	has the meanings ascribed thereto in the Listing Rules
"Director(s)"	director(s) of the Company
"Easyknit Enterprises"	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"EE Rights Issue"	the proposed rights issue of 667,499,000 EE Rights Shares at a subscription price of HK$0.15 per EE Rights Share on the basis of 10 EE Rights Shares for every existing EE Share held on the Record Date
"EE Rights Share(s)"	667,499,000 EE Share(s) to be issued and allotted under the EE Rights Issue
"EE Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of Easyknit Enterprises
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Huzhou Project"	acquisition of a land of approximately 632 mu at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, PRC, and the development of manufacturing production, bleaching, dyeing and knitting operations and the construction of the waste water treatment plant
"Landmark Profits"	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Company which holds approximately 31.7% of the issued shares of Easyknit Enterprises, and a controlling shareholder of Easyknit Enterprises
"Latest Practicable Date"	3 December 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Record Date"	24 December 2008 or such other date as the Underwriter may agree in writing with Easyknit Enterprises, being the date by reference to which entitlements to the EE Rights Issue are expected to be determined
"RMB"	Renminbi, the lawful currency of the PRC
"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 at 9:00 a.m. on Wednesday, 24 December 2008 at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at which a resolution will be proposed to consider and, if thought fit, approve the Undertaking
"Shareholder(s)"	holder(s) of share(s) of the Company
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.15 per EE Rights Share under the EE Rights Issue
"Undertaking"	the conditional undertaking letter dated 5 November 2008 from Landmark Profits to Easyknit Enterprises and the Underwriter as described in the section headed "Undertaking and Underwriting Arrangement" in this circular
"Underwriter"	Get Nice Securities Limited, a deemed licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
"Underwriting Agreement"	the underwriting agreement dated 5 November 2008 (as amended by a supplemental agreement dated 3 December 2008) entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain other arrangements in respect of the EE Rights Issue
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%" or "per cent."	percentage or per centum

Easyknit International Holdings Limited

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1218)

Executive Directors:
Mr. Kwong Jimmy Cheung Tim
(President & Chief Executive Officer)
Ms. Lui Yuk Chu *(Deputy Chairman)*

Non-executive Director:
Mr. Tse Wing Chiu, Ricky

Independent Non-executive Directors:
Mr. Tsui Chun Kong
Mr. Jong Koon Sang
Mr. Hon Tam Chun

Registered office:
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

8 December 2008

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
FULL ACCEPTANCE OF PROVISIONAL ALLOTMENT UNDER THE RIGHTS ISSUE OF EASYKNIT ENTERPRISES HOLDINGS LIMITED

INTRODUCTION

The board of directors of Easyknit Enterprises, an associate of the Company, has announced on 12 November 2008 that Easyknit Enterprises proposed to raise approximately HK$100 million before expenses by way of a rights issue of 667,499,000 EE Rights Shares at a subscription price of HK$0.15 per EE Rights Share on the basis of 10 EE Rights Shares for every existing EE Share held, payable in full on acceptance. As at the Latest Practicable Date, the Company, through Landmark Profits (a wholly owned subsidiary of the Company), is interested in 21,162,787 EE Shares, representing approximately 31.7% of the total issued share capital of Easyknit Enterprises.

* *For identification purpose only*

On 12 November 2008, the Company announced that Landmark Profits has signed the Undertaking in favour of Easyknit Enterprises and the Underwriter pursuant to which the EE Shares held by the Company on the date of the Undertaking will remain registered in its name as at 4:00 p.m. on the Record Date and that the EE Rights Shares to be provisionally allotted to it in respect of those EE Shares (representing 211,627,870 EE Rights Shares) will be taken up and paid for in full by it. The obligations of Landmark Profits under the Undertaking are conditional upon the approval by Shareholders at the SGM in accordance with the Listing Rules. This circular provides further information about the EE Rights Issue required under the Listing Rules.

The consideration to be paid by the Company, through Landmark Profits, for the 211,627,870 EE Rights Shares under the Undertaking amounts to HK$31,744,180.50, which exceeds 25% but is less than 100% of one of the applicable ratios of the Company under rule 14.06(3) of the Listing Rules. The Undertaking therefore constitutes a major transaction of the Company under the Listing Rules and is subject to Shareholders' approval at the SGM.

The purpose of this circular is to provide you with further information in relation to the Undertaking and to give you notice of SGM at which a resolution will be proposed to seek your approval of the Undertaking.

PROPOSED EE RIGHTS ISSUE

The board of directors of Easyknit Enterprises announced on 12 November 2008 that it proposed to raise approximately HK$100 million before expenses by the way of the EE Rights Issue of 667,499,000 EE Rights Shares, on the basis of 10 EE Rights Shares for every existing EE Share held, at a subscription price of HK$0.15 per EE Rights Share, payable in full on acceptance.

The EE Rights Issue is conditional upon, among other things, approval from the independent shareholders of Easyknit Enterprises of the EE Rights Issue at a special general meeting of Easyknit Enterprises and approval of the Undertaking by Shareholders at the SGM. The latest time for acceptance of EE Rights Shares is expected to be at 4:00 p.m. on Thursday, 15 January 2009, or such later date or time as may be agreed between the Company and the Underwriter.

UNDERTAKING AND UNDERWRITING ARRANGEMENT

As at the Latest Practicable Date, the Company, through Landmark Profits, is interested in 21,162,787 EE Shares, representing approximately 31.7% of the total issued share capital of Easyknit Enterprises. On the basis of HK$0.15 per EE Rights Share, the total consideration payable by the Company through Landmark Profits for the 211,627,870 EE Rights Shares under the Undertaking amounts to HK$31,744,180.50 which will be satisfied by payment in cash from internal resources of the Company. Landmark Profits will not apply for any excess EE Rights Shares.

The Underwriting Agreement was entered into between Easyknit Enterprises and the Underwriter pursuant to which the Underwriter has agreed to fully underwrite the 455,871,130 EE Rights Shares (being all the 667,499,000 EE Rights Shares to be issued under the EE Rights Issue less the 211,627,870 EE Rights Shares to be issued to and taken up by Landmark Profits, pursuant to the Undertaking). Pursuant to the Underwriting Agreement, Landmark Profits has signed the Undertaking in favour of Easyknit Enterprises and the Underwriter pursuant to which it has conditionally undertaken, inter alia, that the EE Shares held by it on the date of the Undertaking will remain registered in its name as at 4:00 p.m. on the Record Date and that the EE Rights Shares to be provisionally allotted to it in respect of those EE Shares (representing 211,627,870 EE Rights Shares) will be taken up and paid for in full by it. The obligations of Landmark Profits under the Undertaking are conditional upon the approval by Shareholders at the SGM in accordance with the Listing Rules. If this condition is not fulfilled on or before 4:00 p.m. on the date of despatch of the prospectus documents for the EE Rights Issue (or such other date as Easyknit Enterprises, the Underwriter and Landmark Profits may agree), all liabilities of Landmark Profits thereunder shall cease and determine and no party shall have any claims against the other for matters referred to in the Undertaking. The Undertaking will also lapse if the Rights Issue does not become unconditional in accordance with its terms.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholder are third parties independent of the Company and connected persons of the Company.

As additional time is required to finalise this circular to include the unaudited interim results of Easyknit Enterprises for the six months ended 30 September 2008, the despatch of this circular, was delayed from 3 December 2008 to 8 December 2008. Accordingly, a supplemental agreement was entered into between Easyknit Enterprises and the Underwriter on 3 December, 2008 pursuant to which, the references to the acceptance date, posting date and the settlement date in the Underwriting Agreement have been changed to 15 January 2009, 29 December 2008 and 19 January 2009 respectively.

INFORMATION ON EASYKNIT ENTERPRISES AND REASONS OF THE EE RIGHTS ISSUE

Easyknit Enterprises is principally engaged in the bleaching and dyeing, and knitting businesses.

Based on the interim results of Easyknit Enterprises for the six months ended 30 September 2008, the unaudited net asset value of the group of Easyknit Enterprises was approximately HK$289,225,000. The net asset value per share based on 66,749,900 shares in issue of Easyknit Enterprises as at the Latest Practicable Date was approximately HK$4.33. The closing price of Easyknit Enterprises was HK$0.37 per EE Share as quoted on the Stock Exchange as at the Latest Practicable Date.

BUSINESS REVIEW AND PROSPECTS OF EASYKNIT ENTERPRISES

Financial results

During the six months ended 30 September 2008, Easyknit Enterprises recorded a turnover of approximately HK$23,875,000 (six months ended 30 September 2007: approximately HK$38,443,000), representing a decrease of approximately 37.9% from the same period last year. The cost of sales reduced by approximately 29.8% to approximately HK$25,769,000 (six months ended 30 September 2007: approximately HK$36,685,000). Easyknit Enterprises recorded a gross loss of approximately HK$1,894,000 (six months ended 30 September 2007: gross profit of approximately HK$1,758,000). The gross loss was due to the increase in fixed production cost per unit as a result of decrease in sales and the increase in direct material costs during the period.

Loss attributable to shareholders increased approximately 19.0% to approximately HK$15,405,000 (six months ended 30 September 2007: approximately HK$12,947,000). Loss per share for the period was approximately HK cents 23.7 (six months ended 30 September 2007: approximately HK cents 33.0).

Easyknit Enterprises' total operating expenses reduced to approximately HK$9,151,000 as compared to the same period last year of HK$15,665,000. The reduction of approximately 41.6% was mainly due to the provision made for legal and professional fees of approximately HK$8,201,000 in relation to the proposed merger with Wits Basin Precious Minerals Inc., a company incorporated in the United States of America, in the last corresponding period, but no such expenses was incurred for this period.

Finance costs increased approximately 1,117.9% to approximately HK$475,000 (six months ended 30 September 2007: approximately HK$39,000) principally by reason of the imputed interest on the 1% HK$37,650,000 convertible note due in March 2009.

Business review

The bleaching and dyeing business continued to be the principal business of Easyknit Enterprises and contributed to approximately 99.6% of Easyknit Enterprises' total turnover during the period under review, whereas the knitting business accounted for the remaining approximately 0.4% of the total turnover of Easyknit Enterprises.

Turnover for the bleaching and dyeing business reduced by approximately 38.1% to approximately HK$23,789,000 (six months ended 30 September 2007: approximately HK$38,411,000). This segment suffered a loss of approximately HK$9,454,000 (six months ended 30 September 2007: HK$692,000). The loss from this segment was due to the increase in fixed production cost per unit as a result of decrease in sales, the increase in direct material costs and the allowance of doubtful debts of approximately HK$4,232,000 made during the period.

The knitting business contributed approximately HK$86,000 to Easyknit Enterprises' total turnover for the period under review (six months ended 30 September 2007: approximately HK$32,000). Taking into account the portion of inter-segment sales, the turnover derived from this business rose by 255.2% to approximately HK$16,328,000 (six months ended 30 September 2007: approximately HK$4,597,000). Loss from this segment increased to approximately HK$910,000 as compared to approximately HK$683,000 for the same period in last year. The increase was due to the rise in the price of cotton yarn, a raw material for knitting production, during the period under review.

Below set out the net loss before and after taxation of Easyknit Enterprises and its subsidiaries for the six months ended 30 September 2007, 30 September 2008 and the years ended 31 March 2007 and 31 March 2008 respectively.

	Six months ended 30 September		**For the year ended 31 March**	
	2008	**2007**	**2008**	**2007**
	(Unaudited)	**(Unaudited)**	**(Audited)**	**(Audited)**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Loss before taxation	(14,609)	(12,947)	(14,979)	(9,909)
Loss after taxation	(15,405)	(12,947)	(17,811)	(11,481)

As announced by Easyknit Enterprises on 3 January 2005, 30 November 2005 and 20 October 2008, Easyknit Enterprises has made certain commitments towards the Huzhou Project. Construction work on the approximately 251 mu land granted and delivered for the garment manufacturing operation is substantially finished and is waiting for the government authority to grant the completion certificate. As at the Latest Practicable Date, Easyknit Enterprises has made an aggregate investment of approximately RMB149 million in the Huzhou Project, which includes (a) the consideration for the acquisition of land for the Huzhou Project of approximately RMB39 million; (b) the cost of the construction of approximately RMB94 million; and (c) the payment of deposit of approximately RMB16 million to the Huzhou Government's contractor for the construction of the dyeing and bleaching facilities. The outstanding cost required in respect of the Huzhou Project is approximately RMB370 million. Easyknit Enterprises intends to use approximately HK$58 million of the net proceeds from the EE Rights Issue to finance the Huzhou Project in relation to the construction of the plant and the development of manufacturing operations and the remaining proceeds of approximately HK$40 million for general working capital of Easyknit Enterprises.

The Huzhou Government has now indicated that it will be able to deliver the possession of the remaining two parcels of land with an aggregate area of approximately 381 mu for the proposed bleaching and dyeing, and knitting capabilities, as well as the land use right certificate for the bleaching and dyeing operation. Negotiation is still being carried out with the Huzhou Government for a revision of the contractual terms to the benefit of Easyknit Enterprises as the previous delay was entirely due to the Huzhou Government.

The directors of Easyknit Enterprises are of the view that it is prudent to finance the long-term growth of its group by long-term funding in the form of equity, which will not incur additional interest expense. This is especially so in light of the current global credit crisis. The directors of Easyknit Enterprises believe that equity financing will allow its shareholders to have the opportunity to participate in the growth of Easyknit Enterprises and broaden its shareholders' base without diluting their corresponding shareholdings.

Geographical analysis

During the period, Easyknit Enterprises' turnover was mainly derived from sales made to customers in Hong Kong with manufacturing operations located in the PRC.

Prospects

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

As regard to the Huzhou Project, the directors of Easyknit Enterprises will continue to keep track of the transfer of the remaining two parcels of land to Easyknit Enterprises. When the land is transferred to Easyknit Enterprises, construction works will be started as quickly as possible. Notwithstanding the problems occasioned by the long delay on the part of the Huzhou Government in delivering the land to Easyknit Enterprises and the downturn in the global economy, Easyknit Enterprises is still minded to pursue the plans of the Huzhou Project but shall not excluded other options, which will be of benefit to Easyknit Enterprises in the forthcoming negotiation with the Huzhou Government, especially after the property ownership certificate is granted and the existing garment manufacturing premises can be put to commercial use.

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

During the year ended 31 March 2008, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment and development.

Garment sourcing and exporting

During the year under review, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.6% to the Group's total turnover, representing a slight drop of approximately 0.2% as compared to that of last year (2007: approximately 93.8%). Turnover from this segment decreased by approximately 6.8% to approximately HK$487,806,000 (2007: approximately HK$523,188,000). This segment recorded a profit of approximately HK$24,133,000, a rise of approximately 4.8% from last year's profit of approximately HK$23,037,000. The product mix of infant wear and ladies wear changed from 33 : 50 for the year ended 31 March 2007 to 35 : 45 for the year ended 31 March 2008.

Property investment and development

For the year ended 31 March 2008, the property investment and development segments contributed approximately HK$33,533,000 or 6.4% (2007: approximately HK$34,549,000 or 6.2%) to the Group's total turnover. Profit of these segments increased approximately 139.3% to approximately HK$79,575,000 (2007: approximately HK$33,255,000), principally due to increase in gain arising on change in fair value of investment properties from approximately HK$7,370,000 for the year ended 31 March 2007 to approximately HK$52,928,000. Rental income from investment properties, which are all located in Hong Kong, increased to approximately HK$27,164,000 (2007: approximately HK$26,138,000) due to general increase of property rental in Hong Kong. The average rental income of the Group increased by approximately 3.9% during the year under review. As at 31 March 2008, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 92.5%. The building management fee income was approximately HK$289,000 (2007: approximately HK$278,000).

In April 2007, the Group completed the acquisition of the remaining two units of the building situated at Nos. 1 and 1A Victory Avenue and Nos. 3 and 3A Victory Avenue in Kowloon, Hong Kong at a total consideration of HK$12,880,000. Together with the eighteen units acquired in July 2006, the Group currently has a total ownership over the whole building which is held for re-development purposes.

In September 2007, the Group completed the disposal of premises situated at Ground Floor and cockloft of No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong at a consideration of HK$92,800,000. A gain of HK$18,818,000 arising on change in fair value of this property was recognised during the year under review.

The sale of residential units of Fa Yuen Plaza in Mongkok generated approximately HK$6,080,000 cash inflow to the Group during the year under review (2007: approximately HK$8,133,000). As at 31 March 2008, approximately 98.4% of the available units were sold with the average selling price of approximately HK$3,800 per square foot gross floor area for the year ended 31 March 2008 (2007: approximately HK$3,800). As at 31 March 2008, the Group's entire property portfolio stood over approximately HK$747,089,000 (as at 31 March 2007: approximately HK$769,681,000).

As per the announcement dated 27 June 2008, Easyknit Properties Holdings Limited, a wholly owned subsidiary of the Company, had entered into an agreement on 24 June 2008 to acquire the entire issued share capital of Trump Elegant Investment Limited, for a total consideration of HK$8.3 million in cash upon completion. Under the agreement, Easyknit Properties Holdings Limited had also agreed to advance a loan to Trump Elegant Investment Limited up to an aggregate amount not exceeding HK$32 million. The loan was personally guaranteed by the seller, Mr. Ng Kwai Tung, an individual who is an independent third party of the Company and connected persons of the Company (as defined in the Listing Rules). The acquisition of Trump Elegant Investment Limited enabled the Group to acquire 11 units out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong). The Group intends to acquire the remaining one of the building unit so as to be the owner of the whole building, which it at present contemplates redeveloping if and when the Directors consider market sentiment to be appropriate. This acquisition has enabled the Group to expand its property investment portfolio and provide the Group with further potential income from property development.

Geographical analysis of turnover

Approximately 83.6% (2007: approximately 84.1%) of the Group's total turnover was generated out of the United States of America (the "US") which is the Group's major export market, while Hong Kong, European and Mexican markets accounted for approximately 6.5%, 7.6% and 2.3% of the Group's total turnover respectively.

Prospect

Garment sourcing and exporting

The Group's garment sourcing and exporting business is likely to be affected by the sluggish economy of the US. However, the Directors believe that maintaining good customer relationship and sharpening its competitive edges are the key success factors for the development of the garment sourcing and exporting business. The Group will continue to maintain its competitiveness in the market and strive to maintain the growth of the business through strengthening its product range and will also look into the possibility of extending its reach to other potential markets.

Property investment and development

The Directors expect that the property market in Hong Kong will slow down as a result of the global credit crisis and the tightening of the lending policy by the local banks. However, it is anticipated that the economy of Hong Kong will still out perform other Asian and European countries in view of the economic growth of China. Despite the downturn, the Directors will continue to engage in property investment and development with attractive yields. By expanding its property portfolio both inside and outside Hong Kong when opportunities arise, the Group endeavours to ensure a higher return to its Shareholders.

REASON FOR FULL ACCEPTANCE OF THE EE RIGHTS ISSUE

The Company is principally engaged in the businesses of garment sourcing and export, property investment and development, investment in securities and loan financing.

The Directors consider that the full acceptance by the Company of its provisional allotment under the EE Rights Issue will allow the Company, through Landmark Profits, to maintain its pro rata shareholding in Easyknit Enterprises. On this basis, the Directors consider that the Company's participation in the EE Rights Issue is fair and reasonable and in the interest of the Shareholders as a whole.

EFFECT ON EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

Landmark Profits will not apply for any excess EE Rights Shares. The Company's percentage holding in Easyknit Enterprises therefore will remain the same at approximately 31.7% of the total issued share capital of Easyknit Enterprises immediately after completion of the EE Rights Issue.

There will also be no significant impact on the earnings, assets and liabilities of the Group immediately following the full acceptance of its provisional allotment under the EE Rights Issue by the Company as the increase in the 211,627,870 EE Rights Shares at a total consideration of HK$31,744,180.50 booked in the interests in associates account of the Group will be offset by decrease in cash and bank balances.

GENERAL

The consideration to be paid by the Company through Landmark Profits for the 211,627,870 EE Rights Shares under the Undertaking amounts to HK$31,744,180.50, which exceeds 25% but is less than 100% of one of the applicable ratios of the Company under the Listing Rules. The Undertaking therefore constitutes a major transaction of the Company under rule 14.06(3) of the Listing Rules and is subject to the Shareholders' approval at the SGM.

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 Wednesday, 24 December 2008 is set out on pages 128 to 129 of this circular at which a resolution will be proposed to consider and, if thought fit, to approve the Undertaking. The obligations of Landmark Profits under the Undertaking are conditional upon the approval by Shareholders at the SGM in accordance with the Listing Rules.

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 or any adjourned meeting (as the case may be). 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.

RIGHT TO DEMAND A POLL

Pursuant to 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 hands 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 authorized 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 authorized 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.

RECOMMENDATION

The Directors consider that the Undertaking is on normal commercial terms and that such terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Undertaking. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders had any material interest in the EE Rights Issue. Therefore no Shareholder is required to abstain from voting on the Undertaking at the SGM.

ADDITIONAL INFORMATION

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

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

1. UNAUDITED INTERIM RESULTS OF EASYKNIT ENTERPRISES

Set out below are the extracts from pages 1 to 13 of the unaudited interim report for the six months ended 30 September 2008 of Easyknit Enterprises and its subsidiaries with comparative figures. These unaudited condensed consolidated financial statements have been reviewed by the audit committee of Easyknit Enterprises.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
	NOTES	**2008**	**2007**
		HK$'000	*HK$'000*
		(Unaudited)	*(Unaudited)*
Turnover	3	23,875	38,443
Cost of sales and services		(25,769)	(36,685)
Gross (loss) profit		(1,894)	1,758
Other income		1,143	999
Distribution costs		(301)	(213)
Administrative expenses		(7,614)	(7,251)
Other expenses		(1,236)	(8,201)
Allowance for doubtful debts		(4,232)	—
Finance costs		(475)	(39)
Loss before taxation	4	(14,609)	(12,947)
Taxation	5	(796)	—
Loss for the period		(15,405)	(12,947)
Basic loss per share	6	HK cents (23.7)	HK cents (33.0)

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 September 2008

	NOTES	**30 September 2008** *HK$'000* *(Unaudited)*	**31 March 2008** *HK$'000* *(Audited)*
Non-current assets			
Property, plant and equipment	7	123,400	102,831
Prepaid lease payments	8	41,230	40,667
Deposits for acquisition of property, plant and equipment		18,161	17,725
		182,791	161,223
Current assets			
Inventories		9,478	5,818
Trade and other receivables	9	25,969	25,698
Prepaid lease payments	8	878	857
Pledged deposit		10,000	—
Bank balances and cash		95,457	139,753
		141,782	172,126
Current liabilities			
Trade and other payables	10	24,279	26,000
Bills payable	11	5,335	1,818
Convertible note	12	—	33,750
Tax payable		5,734	4,816
		35,348	66,384
Net current assets		106,434	105,742
Net assets		289,225	266,965
Capital and reserves			
Share capital	13	667	58,906
Reserves		288,558	208,059
		289,225	266,965

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Share capital	Share premium	Convertible note equity reserve	Capital reserve	Contributed surplus	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008 (audited)	58,906	246,094	4,128	53,194	714	17,711	(113,782)	266,965
Exchange differences arising on translation of foreign operations	—	—	—	—	—	3,501	—	3,501
Loss for the period	—	—	—	—	—	—	(15,405)	(15,405)
Total recognised income and expense for the period	—	—	—	—	—	3,501	(15,405)	(11,904)
On conversion of convertible note (see note 13(b))	7,843	30,449	(4,128)	—	—	—	—	34,164
Reduction of capital upon capital reorganisation (see note 13(d))	(66,082)	—	—	—	—	—	66,082	—
At 30 September 2008 (unaudited)	667	276,543	—	53,194	714	21,212	(63,105)	289,225
At 1 April 2007 (audited)	39,271	164,288	—	53,194	714	7,138	(95,971)	168,634
Exchange differences arising on translation of foreign operations	—	—	—	—	—	2,959	—	2,959
Loss for the period	—	—	—	—	—	—	(12,947)	(12,947)
Total recognised income and expense for the period	—	—	—	—	—	2,959	(12,947)	(9,988)
At 30 September 2007 (unaudited)	39,271	164,288	—	53,194	714	10,097	(108,918)	158,646

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash (used in) from operating activities	(15,106)	11,295
Net cash used in investing activities		
Purchase of property, plant and equipment	(20,354)	(21,421)
Increase in pledged deposit	(10,000)	—
Prepaid lease payment	—	(6,361)
Other investing cash flows	1,119	213
	(29,235)	(27,569)
Net cash used in financing activities		
Bank loans raised	—	2,043
Repayment of bank loans	—	(8,081)
Other financing cash flows	(61)	(39)
	(61)	(6,077)
Net decrease in cash and cash equivalents	(44,402)	(22,351)
Cash and cash equivalents at beginning of the period	139,753	29,392
Effect of foreign exchange rate changes	106	439
Cash and cash equivalents at end of the period, represented by bank balances and cash	95,457	7,480

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations ("new Amendments and Interpretations") issued by the HKICPA which are effective for the Group's financial period beginning 1 April 2008.

HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new Amendments and Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results or financial position of the Group.

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments. For management purposes, the Group is currently organised into two main operating divisions - bleaching and dyeing, and knitting. These divisions are the basis on which the Group reports its primary segment information.

For the six months ended 30 September 2008

	Bleaching and dyeing	**Knitting**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External	23,789	86	—	23,875
Inter-segment (note)	—	16,242	(16,242)	—
Total	23,789	16,328	(16,242)	23,875
Segment results	(9,454)	(910)	—	(10,364)
Interest income				1,119
Unallocated corporate expenses				(4,889)
Finance costs				(475)
Loss before taxation				(14,609)
Taxation				(796)
Loss for the period				(15,405)

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

For the six months ended 30 September 2007

	Bleaching and dyeing	Knitting	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External	38,411	32	—	38,443
Inter-segment (note)	—	4,565	(4,565)	—
Total	38,411	4,597	(4,565)	38,443
Segment results	(692)	(683)	—	(1,375)
Interest income				213
Unallocated corporate expenses				(11,746)
Finance costs				(39)
Loss for the period				(12,947)

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

4. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Depreciation	1,842	1,786
Professional fees for a possible merger (note)	—	8,201
Total staff costs (including directors' emoluments)	4,776	5,736

Note: The Company included in note 27 of the Group's annual financial statements for the year ended 31 March 2007, details of, among others, a possible merger involving Wits Basin Precious Minerals Inc. ("Wits Basin") resulting from a non-binding letter of intent dated 29 November 2006 and two subsequent non-binding heads of agreements. Wits Basin is a company incorporated in Minnesota, the United States of America whose principal business was the exploration and development of minerals in Mexico, Colorado and South Africa.

There were subsequent litigations between the Group and Wits Basin. On 19 December 2007, the Group entered into a settlement agreement and general release (the "Settlement and Release") to terminate the possible merger and litigations with Wits Basin. Details of these are included in note 29 of the Group's annual financial statements for the year ended 31 March 2008.

Professional fees incurred during the six months ended 30 September 2007 in relation to the possible merger and the Settlement and Release amounted to HK$8,201,000, which have been charged to the consolidated income statement during that period and included in other expenses.

5. TAXATION

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
The charge comprises:		
PRC enterprise income tax		
- current period	796	—

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for both periods.

Pursuant to Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises in Mainland China (the "PRC"), the Company's subsidiaries in the PRC are entitled to preferential tax treatment with full exemption from the PRC enterprise income tax for two years starting from the first profitable year of operations, after offsetting all tax losses brought forward from the previous years (for a maximum period of five years), followed by a 50% reduction in tax rate for the next three years.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate to 25% for the Company's PRC subsidiaries since 1 January 2008.

6. BASIC LOSS PER SHARE

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

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	(15,405)	(12,947)
	Number of shares	
Weighted average number of shares for the purposes of basic loss per share	65,011,144	39,270,752

The denominator for the purposes of calculating basic loss per share for the six months ended 30 September 2007 has been adjusted to reflect the consolidation of shares on the basis that 100 shares were consolidated into one share in September 2008.

7. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group spent HK$20,354,000 on acquisition of property, plant and equipment (the prior period: HK$21,421,000).

8. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise land use rights situated in the PRC held under medium-term leases. At 30 September 2008, the relevant PRC authority has not vacated certain land of carrying amount of HK$37,543,000 (31.3.2008: HK$37,020,000) for the use by the Group, HK$21,250,000 (31.3.2008: HK$20,954,000) of which have yet to be granted the land use rights certificates.

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of up to 60 days to its customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	30 September 2008	**31 March 2008**
	HK$'000	*HK$'000*
0 - 60 days	10,640	7,616
61 - 90 days	3,685	5,536
Over 90 days	9,559	11,715
Trade receivables	23,884	24,867
Prepayments	334	620
Other receivables	1,751	211
	25,969	25,698

10. TRADE AND OTHER PAYABLES

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

	30 September 2008	**31 March 2008**
	HK$'000	*HK$'000*
0 - 60 days	5,245	3,016
61 - 90 days	163	1,206
Over 90 days	27	598
Trade payables	5,435	4,820
Accruals	18,087	20,090
Other payables	757	1,090
	24,279	26,000

11. BILLS PAYABLE

At the balance sheet date, all bills payable were aged within 120 days.

12. CONVERTIBLE NOTE

Convertible note containing liability and equity components

In March 2008, the Company issued to an independent third party a convertible note at its par value of HK$37,650,000. The convertible note is denominated in Hong Kong dollars. The note entitles the holder to convert it into ordinary shares of the Company at any time between the date of issue of the note on 12 March 2008 and its settlement date on 11 March 2009 at a conversion price of HK$0.048 per conversion share (subject to adjustment). Assuming full conversion of the convertible note at a conversion price of HK$0.048 at the date of issue of the note, the convertible note would have been convertible into 784,375,000 new ordinary shares of HK$0.01 each in the share capital of the Company. The converted shares would be allotted and issued under the general mandate granted to the directors of the Company at the 2007 annual general meeting of the Company held on 16 August 2007. If the convertible note has not been converted, it would be redeemed on 11 March 2009 at par. Interest of 1% per annum will be paid semi-annually in arrears up until the settlement date.

The convertible note contains two components, liability and equity elements. The equity component is presented in equity heading "convertible note equity reserve". The effective interest rate of the liability component is 13.08% per annum.

During April to June 2008, the convertible note was converted into 784,375,000 new ordinary shares of HK$0.01 each of the Company at the conversion price of HK$0.048 per conversion share.

The movement of the liability component of the convertible note during the six months ended 30 September 2008 is set out below:

	HK$'000
Carrying amount at 1 April 2008	33,750
Interest charge	475
Interest paid	(61)
On conversion during the period	(34,164)
Carrying amount at 30 September 2008	—

13. SHARE CAPITAL

	Notes	**Nominal value per share** *HK$*	**Number of shares**	**Amount** *HK$'000*
Authorised:				
At 1 April 2007 and 31 March 2008		0.01	20,000,000,000	200,000
Reduction of share capital	(d)(ii)		—	(198,000)
		0.0001	20,000,000,000	2,000
Consolidation of shares	(d)(iii)		(19,800,000,000)	—
		0.01	200,000,000	2,000
Increase	(d)(iv)	0.01	19,800,000,000	198,000
At 30 September 2008		0.01	20,000,000,000	200,000
Issued and fully paid:				
At 1 April 2007		0.01	3,927,075,240	39,271
Rights issue of share	(a)	0.01	1,963,537,620	19,635
At 31 March 2008		0.01	5,890,612,860	58,906
On conversion of convertible note	(b)	0.01	784,375,000	7,843
		0.01	6,674,987,860	66,749
Exercise of share options	(c)	0.01	2,140	—
			6,674,990,000	66,749
Reduction of share capital	(d)(i)		—	(66,082)
		0.0001	6,674,990,000	667
Consolidation of shares	(d)(iii)		(6,608,240,100)	—
At 30 September 2008		0.01	66,749,900	667

Notes:

(a) On 21 January 2008, the Company allotted 1,963,537,620 rights shares of HK$0.01 each at the subscription price of HK$0.052 per rights share on the basis of one rights share for every two existing ordinary shares held. The Company raised HK$101,441,000 (net of expenses) with the intention to finance the development of manufacturing operations in the PRC and for general working capital use.

(b) On 17 April 2008, 30 April 2008 and 12 June 2008, the holder of the Group's convertible note exercised his conversion right and converted the convertible note at its par value of HK$37,650,000 into 784,375,000 new ordinary shares of HK$0.01 each in the share capital of the Company at a conversion price of HK$0.048 per conversion share.

(c) On 18 August 2008, an option to subscribe for a total of 2,140 ordinary shares of HK$0.01 each of the Company at a subscription price of HK$0.0162 per share was granted to an employee pursuant to the Company's share option scheme adopted on 6 June 2002. The share options are exercisable within 14 days after the date of acceptance. The employee accepted the offer on 19 August 2008 for a nominal consideration of HK$1 and exercised the share options in full also on 19 August 2008.

In the opinion of the directors, the estimated fair value of the share options granted on 18 August 2008 was insignificant.

(d) As announced by the Company on 14 August 2008, the Company proposed to effect (i) reduction of the nominal value of each issued share from HK$0.01 each to HK$0.0001 each by cancelling HK$0.0099 paid up share capital for each share in issue ("Issued Capital Reduction"); (ii) reduction of the nominal value of all shares in the authorised share capital of the Company from HK$0.01 each to HK$0.0001 each, resulting in the reduction of the authorised share capital from HK$200,000,000 to HK$2,000,000 divided into 20,000,000,000 shares of HK$0.0001 each; (iii) a share consolidation pursuant to which every one hundred issued and unissued then existing shares of HK$0.0001 each were consolidated into one consolidated share of HK$0.01 each; (iv) increase of the authorised share capital from HK$2,000,000 divided into 200,000,000 consolidated shares of HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 consolidated shares of HK$0.01 each by the creation of 19,800,000,000 new consolidated shares; and (v) transfer of credit arising from the Issued Capital Reduction with the amount of HK$66,082,401 to set off against part of the accumulated losses of the Company. The above are collectively referred to the "Capital Reorganisation". Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 29 August 2008. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 22 September 2008. The Capital Reorganisation became effective on 23 September 2008.

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

14. RELATED PARTY TRANSACTIONS

(a) During the period, the Group received administrative services from wholly-owned subsidiaries of Easyknit International Holdings Limited ("Easyknit International") and paid service fee as follows:

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Grand Modern Investment Limited	—	80
Easyknit Global Company Limited	120	40
	120	120

Ms. Lui Yuk Chu, a director of the Company, has beneficial interests in Easyknit International and the Company is an associate of Easyknit International.

During the six months ended 30 September 2007, the Group also purchased a motor vehicle amounting to HK$576,000 from Grand Modern Investment Limited.

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

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

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Short-term employee benefits	1,545	2,010

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

15. CAPITAL COMMITMENTS

	30 September 2008	**31 March 2008**
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment		
- Contracted for but not provided	26,101	45,654
- Authorised but not contracted for	394,524	384,636
	420,625	430,290

The capital expenditure shown above is principally for the purpose of development of manufacturing operations in the PRC.

16. POST BALANCE SHEET EVENT

As announced by the Company on 12 November 2008, the Company proposed a rights issue of 667,499,000 rights shares of HK$0.01 each at a subscription price of HK$0.15 per rights share on the basis of ten rights shares for every existing share of the Company held.

2. FINANCIAL SUMMARY OF EASYKNIT ENTERPRISES

The following financial summary has been extracted from the audited consolidated financial statements of Easyknit Enterprises and its subsidiaries for the three years ended 31 March 2008 as published in the 07/08 and 06/07 annual reports of Easyknit Enterprises. No qualified opinions were issued by the auditor of Easyknit Enterprises for any of the three years ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March

	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	74,923	75,964	58,039
Cost of sales and services	(65,721)	(74,717)	(53,573)
Gross profit	9,202	1,247	4,466
Other income	1,742	2,667	1,441
Other expenses	(10,702)	(608)	(1,416)
Distribution costs	(384)	(424)	(536)
Administrative expenses	(15,063)	(15,084)	(10,533)
Write back of allowance (allowance) for doubtful debts	494	2,446	(3,882)
Impairment loss recognised in respect of goodwill	—	—	(21,122)
Finance costs	(268)	(153)	(1,275)
Loss before taxation	(14,979)	(9,909)	(32,857)
Taxation	(2,832)	(1,572)	—
Loss for the year	(17,811)	(11,481)	(32,857)

CONSOLIDATED BALANCE SHEET

At 31 March

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	102,831	66,836	24,596
Prepaid lease payments	40,667	31,642	8,814
Deposits for acquisition of property, plant and equipment	17,725	16,125	15,628
	161,223	114,603	49,038
Current assets			
Inventories	5,818	15,445	4,629
Trade and other receivables	25,698	44,783	21,673
Prepaid lease payments	857	656	183
Bank balances and cash	139,753	29,392	110,018
	172,126	90,276	136,503
Current liabilities			
Trade and other payables	26,000	24,453	8,847
Bills payable	1,818	4,146	682
Bank loans	—	6,038	984
Convertible note	33,750	—	—
Tax payable	4,816	1,608	—
	66,384	36,245	10,513
Net current assets	105,742	54,031	125,990
Net assets	266,965	168,634	175,028
Capital and reserves			
Share capital	58,906	39,271	3,927
Reserves	208,059	129,363	171,101
	266,965	168,634	175,028

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a reproduction of the text of the audited consolidated financial statements of Easyknit Enterprises and its subsidiaries together with the accompanying notes contained on pages 26 to 67 of the annual report of Easyknit Enterprises for the year ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	NOTES	**2008**	**2007**
		HK$'000	*HK$'000*
Turnover	6	74,923	75,964
Cost of sales and services		(65,721)	(74,717)
Gross profit		9,202	1,247
Other income		1,742	2,667
Other expenses	29	(10,702)	(608)
Distribution costs		(384)	(424)
Administrative expenses		(15,063)	(15,084)
Write back of allowance for doubtful debts		494	2,446
Finance costs	8	(268)	(153)
Loss before taxation	9	(14,979)	(9,909)
Taxation	11	(2,832)	(1,572)
Loss for the year		(17,811)	(11,481)
Basic loss per share	12	HK cent (0.4)	HK cent (0.3)

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	NOTES	**2008** *HK$'000*	**2007** *HK$'000*
Non-current assets			
Property, plant and equipment	14	102,831	66,836
Prepaid lease payments	15	40,667	31,642
Deposits for acquisition of property, plant and equipment		17,725	16,125
		161,223	114,603
Current assets			
Inventories	16	5,818	15,445
Trade and other receivables	17	25,698	44,783
Prepaid lease payments	15	857	656
Bank balances and cash	18	139,753	29,392
		172,126	90,276
Current liabilities			
Trade and other payables	19	26,000	24,453
Bills payable	20	1,818	4,146
Bank loans	21	—	6,038
Convertible note	22	33,750	—
Tax payable		4,816	1,608
		66,384	36,245
Net current assets		105,742	54,031
Net assets		266,965	168,634
Capital and reserves			
Share capital	23	58,906	39,271
Reserves		208,059	129,363
		266,965	168,634

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Share capital	Share premium	Convertible note equity reserve	Capital reserve	Contributed surplus	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	3,927	199,632	—	53,194	714	2,051	(84,490)	175,028
Exchange differences arising on translation of foreign operations	—	—	—	—	—	5,087	—	5,087
Loss for the year	—	—	—	—	—	—	(11,481)	(11,481)
Total recognised income and expense for the year	—	—	—	—	—	5,087	(11,481)	(6,394)
Bonus issue by capitalisation of the share premium account *(see note 23(a))*	35,344	(35,344)	—	—	—	—	—	—
At 31 March 2007	39,271	164,288	—	53,194	714	7,138	(95,971)	168,634
Exchange differences arising on translation of foreign operations	—	—	—	—	—	10,573	—	10,573
Loss for the year	—	—	—	—	—	—	(17,811)	(17,811)
Total recognised income and expense for the year	—	—	—	—	—	10,573	(17,811)	(7,238)
Equity component of convertible note *(see note 22)*	—	—	4,128	—	—	—	—	4,128
Rights issue of shares *(see note 23(b))*	19,635	82,469	—	—	—	—	—	102,104
Transaction costs attributable to issue of new shares	—	(663)	—	—	—	—	—	(663)
At 31 March 2008	**58,906**	**246,094**	**4,128**	**53,194**	**714**	**17,711**	**(113,782)**	**266,965**

The capital reserve of the Group represents the credit arising from the reduction of share capital of the Company in March 2004 and September 2005 and can be applied in the future for distribution to the shareholders.

The contributed surplus of the Group represents the credit arising from the reduction of share capital of the Company in February 2003 which may then be utilised by the directors in accordance with the Company's Bye-laws and all applicable laws, including to eliminate the accumulated losses of the Company.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 *HK$'000*	2007 *HK$'000*
Operating activities		
Loss before taxation	(14,979)	(9,909)
Adjustments for:		
Interest income	(756)	(1,926)
Interest expense	268	153
Depreciation	3,614	3,332
Amortisation of prepaid lease payments	762	301
Write back of allowance for inventories	(255)	(96)
Write back of allowance for doubtful debts	(494)	(2,446)
Loss on disposal of property, plant and equipment	20	127
Operating cash flows before movements in working capital	(11,820)	(10,464)
Decrease (increase) in inventories	9,882	(10,720)
Decrease (increase) in trade and other receivables	19,579	(20,665)
Increase in trade and other payables	2,544	15,448
(Decrease) increase in bills payable	(2,328)	3,464
Net cash from (used in) operating activities	17,857	(22,937)
Investing activities		
Interest received	756	1,926
Purchase of property, plant and equipment	(35,182)	(44,926)
Purchase of land use rights	(6,828)	(23,209)
Proceeds from disposal of property, plant and equipment	—	214
Deposits paid for acquisition of property, plant and equipment	—	(139)
Net cash used in investing activities	(41,254)	(66,134)
Financing activities		
Net proceeds from issue of new shares	101,441	—
Proceeds from issue of convertible note	37,650	—
Bank loans raised	2,042	16,153
Repayments of bank loans	(8,080)	(11,099)
Interest paid	(40)	(153)
Net cash from financing activities	133,013	4,901
Net increase (decrease) in cash and cash equivalents	109,616	(84,170)
Cash and cash equivalents at beginning of the year	29,392	110,018
Effect of foreign exchange rate changes	745	3,544
Cash and cash equivalents at end of the year, represented by bank balances and cash	139,753	29,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The financial statements are presented in Hong Kong dollars ("HK$" or "HKD") which is the same as the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in bleaching, dyeing and knitting.

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

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied, for the first time, the following new Standards, Amendments and Interpretations ("INTs") (collectively "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) — INT 8	Scope of HKFRS 2
HK(IFRIC) — INT 9	Reassessment of embedded derivatives
HK(IFRIC) — INT 10	Interim financial reporting and impairment
HK(IFRIC) — INT 11	HKFRS 2 — Group and treasury share transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 "Financial instruments: Presentation" has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised Standards or INTs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) — INT 12	Service concession arrangements [3]
HK(IFRIC) — INT 13	Customer loyalty programmes [4]
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009.

[2] Effective for annual periods beginning on or after 1 July 2009.

[3] Effective for annual periods beginning on or after 1 January 2008.

[4] Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised Standards and INTs will have no material impact on the results or financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Revenue recognition

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

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

Service income is recognised when services are rendered.

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.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average 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.

Financial assets

The Group's financial assets are loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the initial carrying amount of the asset.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets other than trade and other receivables, 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.

The carrying amount of trade receivables and other receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Objective evidence of impairment for trade and other receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the trade and other receivables past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default in the receivables. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and bills payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Convertible note

Convertible note containing liability and equity components

A convertible note issued by the Company that contains both the liability and conversion option components is classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the note into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

Derecognition

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

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

Impairment loss on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

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

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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.

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 profits will be available to allow all or part of the asset to be recovered.

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

Leasing

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

Rentals payable under operating leases are charged to the consolidated income statement 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items 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 year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange reserve). Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits costs

Payments to the state-sponsored pension scheme operated by the Mainland China (the "PRC") government or the Hong Kong Mandatory Provident Fund Scheme are charged as an expense as the employees have rendered the services entitling them to the contribution.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes convertible note disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and raising of bank loans.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	25,078	42,620
Bank balances and cash	139,753	29,392
	164,831	72,012
Financial liabilities		
Amortised costs		
Trade and other payables	5,910	14,454
Bills payable	1,818	4,146
Bank loans	—	6,038
Convertible note	33,750	—
	41,478	24,638

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, bills payable, bank loans and convertible note. 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.

Market risk

(i) ***Interest rate risk***

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short-term bank deposits. Since the bank deposits are all short-term in nature, any future variation in interest rates will not have a significant impact on the results of the Group.

In addition, the Group's cash flow interest rate risk also relates primarily to variable-rate bank loans (see note 21 for details of these loans). It is the Group's policy to keep its bank loans at floating rates of interest so as to minimise the fair value interest rate risk.

Sensitivity analysis

At balance sheet dates, the Group's exposure to interest rates for non-derivative instruments was not significant. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, there is no significant effect on the Group's loss for the year ended 31 March 2008 (2007: the Group's loss would increase/decrease by HK$60,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(ii) ***Currency risk***

Certain subsidiaries of the Company have foreign currency sales or purchases denominated in currencies other than their functional currencies, which expose the Group to foreign currency risk. Approximately 4.46% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst approximately 54.95% of purchases/costs of goods sold are denominated in the group entity's functional currency.

The Group also had foreign currency exposure arising from the bank loans denominated in United States dollars ("USD").

The carrying net amount of the group entities' foreign currency denominated monetary assets and monetary liabilities at the balance sheet date is as follows:

	Liabilities		**Assets**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi ("RMB")	1,967	3,020	2,102	1,265
HKD	—	—	3	168
USD	1,818	10,184	—	—

Sensitivity analysis

The Group is mainly exposed to the currency of RMB and the currency of USD.

The following table details the group entities' sensitivity to a 5% increase and decrease in HKD against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss where HKD weaken 5% against the relevant currency. For a 5% strengthening of HKD against the relevant currency, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	RMB Impact		**HKD Impact**		**USD Impact**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease (increase) in loss	7	(88)	—	(8)	(91)	(509)

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

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 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In view of nature of business, the Group has targeted on a focused market. As at 31 March 2008, the Group has concentration of credit risk in the trade receivables balance amounting to HK$23,905,000 (2007: HK$37,720,000) derived from a few major customers. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade receivable at the balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 March 2008, the Group has available unutilised bank loan facilities of HK$8,182,000 (2007: HK$3,446,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Effective interest rate	**Less than 3 months**	**3 months to 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31.3.2008**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Non-derivative financial liabilities					
Trade and other payables	—	5,857	53	5,910	5,910
Bills payable	—	1,818	—	1,818	1,818
Convertible note	13.08	—	38,027	38,027	33,750
		7,675	38,080	45,755	41,478

	Effective interest rate	**Less than 3 months**	**3 months to 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31.3.2007**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Non-derivative financial liabilities					
Trade and other payables	—	14,312	142	14,454	14,454
Bills payable	—	4,146	—	4,146	4,146
Bank loans*	9.00	6,173	—	6,173	6,038
		24,631	142	24,773	24,638

* The interest rates applied to projected undiscounted cash flows of variable-rate bank loans are the interest rates at the balance sheet date.

c. **Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

6. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold and services rendered by the Group, net of discounts and sales related taxes, during the year. An analysis of the Group's turnover is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Bleaching and dyeing		
— sales of goods	71,240	71,707
— service income	3,651	4,257
	74,891	75,964
Knitting services	32	—
	74,923	75,964

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group's primary format for reporting segment information is business segments. For management purposes, the Group is currently organised into two main operating divisions - bleaching and dyeing, and knitting. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 March 2008

(i) **Consolidated income statement**

	Bleaching and dyeing	**Knitting**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External	74,891	32	—	74,923
Inter-segment *(note)*	—	8,455	(8,455)	—
Total	74,891	8,487	(8,455)	74,923
Segment result	(2,323)	(1,362)	—	(3,685)
Interest income				756
Unallocated corporate expenses				(11,782)
Finance costs				(268)
Loss before taxation				(14,979)
Taxation				(2,832)
Loss for the year				(17,811)

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

(ii) **Consolidated balance sheet**

	Bleaching and dyeing	Knitting	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	79,110	25,813	104,923
Unallocated corporate assets			228,426
Consolidated total assets			333,349
LIABILITIES			
Segment liabilities	13,723	2,753	16,476
Unallocated corporate liabilities			49,908
Consolidated total liabilities			66,384

(iii) **Other information**

	Bleaching and dyeing	Knitting	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	1,171	1,242	32,769	35,182
Amortisation	409	259	94	762
Depreciation	2,038	1,508	68	3,614
Loss on disposal of property, plant and equipment	20	—	—	20

For the year ended 31 March 2007

(i) **Consolidated income statement**

	Bleaching and dyeing *HK$'000*	Knitting *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External	75,964	—	—	75,964
Inter-segment *(note)*	—	8,292	(8,292)	—
Total	75,964	8,292	(8,292)	75,964
Segment result	(2,400)	(2,334)	—	(4,734)
Interest income				1,926
Unallocated corporate expenses				(6,948)
Finance costs				(153)
Loss before taxation				(9,909)
Taxation				(1,572)
Loss for the year				(11,481)

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

(ii) **Consolidated balance sheet**

	Bleaching and dyeing *HK$'000*	Knitting *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	103,907	18,716	122,623
Unallocated corporate assets			82,256
Consolidated total assets			204,879
LIABILITIES			
Segment liabilities	19,800	3,053	22,853
Unallocated corporate liabilities			13,392
Consolidated total liabilities			36,245

(iii) **Other information**

	Bleaching and dyeing	Knitting	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	2,779	409	42,058	45,246
Amortisation	148	71	82	301
Depreciation	1,931	1,340	61	3,332
Loss on disposal of property, plant and equipment	127	—	—	127

Geographical segments

The Group's turnover is mainly derived from sales made to customers in Hong Kong with manufacturing operations located in the PRC. The Group's sales were mainly denominated and settled in Hong Kong dollars while the Group's purchases were over 50% denominated and settled in Hong Kong dollars.

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	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	512	1,567	—	—
PRC	193,084	173,920	35,182	45,246
	193,596	175,487	35,182	45,246

8. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	40	153
Imputed interest on convertible note *(note 22)*	228	—
	268	153

9. LOSS BEFORE TAXATION

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration *(note 10(a))*	3,086	2,700
Other staff costs, including retirement benefits costs	7,870	8,151
Total staff costs	10,956	10,851
Amortisation of prepaid lease payments	762	301
Auditor's remuneration	887	726
Cost of inventories recognised as an expense	61,150	68,629
Depreciation	3,614	3,332
Loss on disposal of property, plant and equipment	20	127
and after crediting:		
Interest income	756	1,926
Write-back of allowance for inventories	255	96

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

Details of emoluments to the directors of the Company for the year ended 31 March 2008 are as follows:

	Kwong Jimmy Cheung Tim	Lui Yuk Chu	Tse Wing Chiu, Ricky	Kan Ka Hon	Lau Sin Ming	Foo Tak Ching	Total
	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	681	1,212	893	—	—	—	2,786
Total directors'emoluments	681	1,212	893	100	100	100	3,086

Details of emoluments to the directors of the Company for the year ended 31 March 2007 are as follows:

	Tse Wing Chiu, Ricky	**Lui Yuk Chu**	**Kwong Jimmy Cheung Tim**	**Kan Ka Hon**	**Lau Sin Ming**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	100	100	100	300
Other emoluments						
— Salaries and other benefits	1,200	1,200	—	—	—	2,400
Total directors'emoluments	1,200	1,200	100	100	100	2,700

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

The five highest paid individuals of the Group included three (2007: two) directors whose emoluments were included above. The emoluments of the remaining two (2007: three) highest paid individuals, not being directors, are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	1,053	1,206
Retirement benefits costs	24	35
	1,077	1,241

Their emoluments were all within HK$1,000,000.

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

11. TAXATION

	2008	**2007**
	HK$'000	*HK$'000*
The charge comprises:		
PRC enterprise income tax		
— current year	1,467	1,572
— underprovision in prior years	1,365	—
	2,832	1,572

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for both years.

Pursuant to Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises in the PRC, the Company's subsidiaries in the PRC are entitled to preferential tax treatment with full exemption from PRC enterprise income tax for two years starting from the first profitable year of operations, after offsetting all tax losses brought forward from the previous years (for a maximum period of five years), followed by a 50% reduction in tax rate for the next three years.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% for the Company's PRC subsidiaries since 1 January 2008.

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

	2008	**2007**
	HK$'000	*HK$'000*
Loss before taxation	(14,979)	(9,909)
Tax credit at the applicable rate of 33% (2007: 33%)	(4,943)	(3,270)
Tax effect of income not taxable for tax purposes	(176)	(399)
Tax effect of expenses not deductible for tax purposes	6,367	3,364
Underprovision in respect of prior years	1,365	—
Tax effect of tax losses not recognised	160	2,076
Tax effect attributable to concessionary tax rate in the PRC	(21)	(349)
Others	80	150
Tax charge for the year	2,832	1,572

12. BASIC LOSS PER SHARE

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

	2008	**2007**
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	(17,811)	(11,481)

	2008	**2007**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	4,264,299,415	3,872,881,602

The denominator for the purposes of calculating basic loss per share for the year ended 31 March 2007 has been adjusted to reflect the rights issue on the basis of one rights share for every two ordinary shares held in January 2008.

No diluted loss per share for the year ended 31 March 2008 is computed for the conversion of the Company's outstanding convertible note since its exercise would result in a decrease in loss per share. In addition, there are no outstanding share options during both years.

13. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

(a) During the year, the Group received administrative services from wholly-owned subsidiaries of Easyknit International Holdings Limited ("Easyknit International") and paid service fee as follows:

	2008	2007
	HK$'000	*HK$'000*
Grand Modern Investment Limited (formerly known as Easyknit International Trading Company Limited)	80	240
Easyknit Global Company Limited (formerly known as Easyknit Trading Company Limited and Perfect Luck Development Limited)	160	—
	240	240

Ms. Lui Yuk Chu, a director of the Company, has beneficial interests in Easyknit International and the Company is an associate of Easyknit International.

During the year, the Group also purchased a motor vehicle amounting to HK$576,000 (2007: nil) from Grand Modern Investment Limited.

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

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

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	3,863	3,018

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

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 April 2006	23,195	2,367	1,423	3,633	30,618
Currency realignment	703	154	46	130	1,033
Additions	2,156	402	107	42,581	45,246
Disposal	(542)	(16)	(96)	—	(654)
At 31 March 2007	25,512	2,907	1,480	46,344	76,243
Currency realignment	—	—	—	4,447	4,447
Additions	542	24	575	34,041	35,182
Disposal	(39)	(16)	—	—	(55)
At 31 March 2008	26,015	2,915	2,055	84,832	115,817
DEPRECIATION					
At 1 April 2006	4,444	1,157	421	—	6,022
Currency realignment	242	108	16	—	366
Provided for the year	2,500	580	252	—	3,332
Eliminated on disposal	(242)	(12)	(59)	—	(313)
At 31 March 2007	6,944	1,833	630	—	9,407
Provided for the year	2,755	491	368	—	3,614
Eliminated on disposal	(22)	(13)	—	—	(35)
At 31 March 2008	9,677	2,311	998	—	12,986
CARRYING VALUES					
At 31 March 2008	16,338	604	1,057	84,832	102,831
At 31 March 2007	18,568	1,074	850	46,344	66,836

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis according to the following useful lives:

Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 10 years
Motor vehicles	5 to 10 years

15. PREPAID LEASE PAYMENTS

	HK$'000
COST	
1 April 2006	9,165
Currency realignment	407
Additions	23,209
At 31 March 2007	32,781
Currency realignment	3,251
Additions	6,828
At 31 March 2008	42,860
AMORTISATION	
At 1 April 2006	168
Currency realignment	14
Provided for the year	301
At 31 March 2007	483
Currency realignment	91
Provided for the year	762
At 31 March 2008	1,336
CARRYING VALUE	
At 31 March 2008	41,524
At 31 March 2007	32,298

	2008	**2007**
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current asset	857	656
Non-current asset	40,667	31,642
	41,524	32,298

All of the Group's prepaid lease payments comprise medium-term land use rights situated in the PRC. At 31 March 2008, the relevant PRC authority has not vacated certain land of carrying amount of HK$37,020,000 (2007: HK$28,258,000) for the use by the Group, HK$20,954,000 (2007: HK$28,258,000) of which have yet to be granted the land use rights certificates.

16. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	5,319	14,830
Work-in-progress	369	120
Finished goods	130	495
	5,818	15,445

17. TRADE AND OTHER RECEIVABLES

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

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	26,112	43,451
Less: Allowance for doubtful debts	(1,245)	(1,763)
	24,867	41,688
Prepayments	620	2,163
Other receivables	211	932
	25,698	44,783

	2008	2007
	HK$'000	*HK$'000*
0 - 60 days	7,616	10,026
61 - 90 days	5,536	10,655
Over 90 days	11,715	21,007
	24,867	41,688

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

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$11,822,000 (2007: HK$9,906,000) which are past due at the reporting date for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

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

	2008	2007
	HK$'000	*HK$'000*
Over due by 1 to 60 days	10,004	9,576
Over due by 61 to 90 days	1,139	13
Over due by over 90 days	679	317
	11,822	9,906

Movement in the allowance for doubtful debts:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	1,763	4,173
Currency realignment	—	127
Amounts written off as uncollectible	(24)	(91)
Impairment losses recognised on receivables	—	1,590
Amounts recovered during the year	(494)	(4,036)
Balance at end of the year	1,245	1,763

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$1,245,000 (2007: HK$1,763,000) which have either been placed under liquidation or in serve financial difficulties. The Group does not hold any collateral over these balances.

Based on the historical experience of the Group, trade receivables that are past due are generally recoverable and as a result, no allowance was made for trade receivables at the balance sheet date.

18. BANK BALANCES AND CASH

The amounts comprise bank balances and cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 3.33% (2007: 0.72% to 2.375%) per annum.

19. TRADE AND OTHER PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 - 60 days	3,016	4,444
61 - 90 days	1,206	2,494
Over 90 days	598	1,408
Trade payables	4,820	8,346
Accruals	20,090	9,999
Other payables	1,090	6,108
	26,000	24,453

The average credit period on purchases of goods is 90 days.

20. BILLS PAYABLE

At 31 March 2008, the bills payable is aged within 120 days (2007: 120 days).

21. BANK LOANS

At 31 March 2007, the Group's bank loans were at variable-rates in the range from 8.75% to 9.0% per annum and denominated in USD. The bank loans were unsecured and repaid during the year ended 31 March 2008.

22. CONVERTIBLE NOTE

Convertible note containing liability and equity components

In March 2008, the Company issued to an independent third party a convertible note at its par value of HK$37,650,000. The convertible note is denominated in Hong Kong dollars. The note entitles the holder to convert it into ordinary shares of the Company at any time between the date of issue of the note on 12 March 2008 and its settlement date on 11 March 2009 at a conversion price of HK$0.048 per conversion share (subject to adjustment). Assuming full conversion of the convertible note at a conversion price of HK$0.048 at the date of issue of the note, the convertible note will be convertible into 784,375,000 new ordinary shares of HK$0.01 each in the share capital of the Company. The converted shares will be allotted and issued under the general mandate granted to the directors of the Company at the 2007 annual general meeting of the Company held on 16 August 2007. If the convertible note has not been converted, it would be redeemed on 11 March 2009 at par. Interest of 1% per annum will be paid semi-annually in arrears up until the settlement date.

The convertible note contains two components, liability and equity elements. The equity component is presented in equity heading "convertible note equity reserve". The effective interest rate of the liability component is 13.08% per annum.

The movement of the liability component of the convertible note for the year ended 31 March 2008 is set out below:

	HK$'000
Carrying amount upon issue of the convertible note during the year	33,522
Interest charge *(note 8)*	228
Carrying amount at 31 March 2008	33,750

23. SHARE CAPITAL

	Notes	Nominal value per share HK$	Number of shares	Amount HK$'000
Authorised:				
At 1 April 2006		0.01	650,000,000	6,500
Increase in authorised share capital	(a)(i)	0.01	19,350,000,000	193,500
At 31 March 2007 and 31 March 2008		**0.01**	**20,000,000,000**	**200,000**
Issued and fully paid:				
At 1 April 2006		0.01	392,707,524	3,927
Bonus issue by capitalisation of the share premium account	(a)(ii)	0.01	3,534,367,716	35,344
At 31 March 2007		0.01	3,927,075,240	39,271
Rights issue of shares	(b)	0.01	1,963,537,620	19,635
At 31 March 2008		**0.01**	**5,890,612,860**	**58,906**

Notes:

(a) As announced by the Company on 2 May 2006, the Company proposed the followings:

(i) to increase the authorised share capital of the Company from HK$6,500,000 to HK$200,000,000 by the creation of an additional 19,350,000,000 shares of HK$0.01 each (the "Increase in Authorised Share Capital"); and

(ii) upon the Increase in Authorised Share Capital becoming effective, to issue 3,534,367,716 bonus shares of HK$0.01 each by way of capitalisation of an amount of HK$35,344,000 from the Company's share premium account on the basis of nine bonus shares for every share then held (the "Bonus Issue").

At the special general meeting of the Company held on 19 June 2006, resolutions approving the Increase in Authorised Share Capital and the Bonus Issue were passed. The Increase in Authorised Share Capital and Bonus Issue became effective on 19 June 2006 and 27 June 2006 respectively.

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

Details of the above are set out, inter alia, in the circular of the Company dated 19 May 2006.

(b) On 21 January 2008, the Company allotted 1,963,537,620 rights shares of HK$0.01 each at the subscription price of HK$0.052 per rights share on the basis of one rights share for every two existing ordinary shares held. The Company raised HK$101,441,000 (net of expenses) with the intention to finance the development of manufacturing operations in Huzhou, the PRC and for general working capital use.

24. DEFERRED TAXATION

At 31 March 2008, deductible temporary difference in respect of tax losses not recognised in the consolidated financial statements were HK$23,400,000 (2007: HK$22,915,000). No deferred tax asset has been recognised in respect of such deductible temporary difference due to the unpredictability of future profit streams. Included in the above are tax losses of HK$5,176,000 (2007: HK$4,691,000), which can only be carried forward for a maximum period of five years. Other losses may be carried forward indefinitely.

25. SHARE OPTION SCHEME

On 6 June 2002, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company. Under the terms of the Share Option Scheme, the board of directors of the Company may, at its absolute discretion, offer options to any employee (full-time and part-time), director, supplier, consultant or advisor of any member of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentives to eligible participants and to promote the success of the business of the Company and its subsidiaries.

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

The maximum number of shares issuable upon the exercise of the share options granted to each eligible participant of the Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company with such grantee and his associate(s) abstaining from voting.

The exercise period of the share options is determined by the board of directors of the Company and shall end on a date which is not later than 10 years from the date of grant of the options. There is no specific requirement under the Share Option Scheme that an option must be held for any minimum period before it can be exercised, but its terms provide that the board of directors of the Company has the discretion to impose a minimum period at the time of offer of any particular option. The offer of a grant of share options may be accepted within 14 days from the date of the offer, with the payment of a nominal consideration of HK$1 in total by the offeree.

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

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

No share options have been granted under the Share Option Scheme since its adoption.

26. CAPITAL COMMITMENTS

	2008	**2007**
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment		
— contracted for but not provided in the consolidated financial statements	45,654	80,104
— authorised but not contracted for	384,636	347,771
	430,290	427,875

The capital expenditure shown above is principally for the purpose of development of manufacturing operations in the PRC.

27. OPERATING LEASE ARRANGEMENTS

	2008	**2007**
	HK$'000	*HK$'000*
Minimum lease payments recognised in the consolidated income statement during the year	1,706	1,472

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

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	1,511	1,442
In the second to fifth year inclusive	4,250	4,926
Over five years	920	1,396
	6,681	7,764

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for lease terms ranging from two to eleven 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.

28. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. 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.

There were no forfeited contributions utilised to offset employers' contributions for the year. The employers' contributions which have been dealt with in the consolidated income statement were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Employers' contributions charged to the consolidated income statement	157	143

At the balance sheet date, there was no forfeited contributions available to reduce the contributions payable in the future years.

29. SIGNIFICANT EVENTS

The Company included in note 27 of the Group's annual financial statements for the year ended 31 March 2007, details of, among others, a possible merger involving Wits Basin Precious Minerals Inc. ("Wits Basin") and a possible issue of approximately 3 billion shares by the Company to the shareholders of Wits Basin. Wits Basin is a company incorporated in Minnesota, the United States of America (the "USA") whose principal business was the exploration and development of minerals in Mexico, Colorado and South Africa.

The Company further announced on 20 August and 6 November 2007 that Wits Basin had sent a letter to the Company purporting to terminate the merger agreements on the grounds cited or on any other grounds. The Company did not admit any allegations made by Wits Basin or that Wits Basin was entitled to terminate the merger agreements on the grounds cited or on any other grounds. The Company took legal advice in the USA about the purported termination of the merger agreements and instructed its lawyers in the USA to claim from Wits Basin for a break up fee of US$30,000,000 (approximately HK$234 million) according to the termination clauses noted in the merger agreements.

On 19 December 2007, the Group entered into a settlement agreement and general release (the "Settlement and Release") with Wits Basin in relation to the merger agreements and the litigation between the Group and Wits Basin. Pursuant to the Settlement and Release, among others, the possible merger will not proceed and the Company and Wits Basin agreed to dismiss the litigation previously started by Wits Basin on 15 August 2007, including all claims, counterclaims, and defences, with prejudice and on the merits, without further costs or fees to any party. In addition, it was agreed that all written or oral agreements entered into between the Group and Wits Basin prior to the execution of the Settlement and Release were deemed terminated. Details of the Settlement and Release are set out in the Company's announcement dated 19 December 2007.

Professional fees incurred during the year in relation to the possible merger and the Settlement and Release amounted to HK$9,135,000 (2007: nil), which have been charged to the consolidated income statement and included in other expenses.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share capital/paid-up registered capital/ stated capital	Proportion of nominal value of issued share capital/paid-up registered capital/ stated capital held by the Company		Principal activities
			Directly	Indirectly	
Easyknit (Mauritius) Limited	Republic of Mauritius/ Hong Kong	Stated US$1	100%	—	Investment holding
Po Cheong International Enterprises Limited	Hong Kong	Ordinary HK$90	—	100%	Investment holding
Tat Cheong International (HK) Limited	Hong Kong	Ordinary HK$2	—	100%	Investment holding
東莞永耀漂染有限公司 ("Wing Yiu")[1]	PRC	Registered HK$11,260,000	—	100%	Bleaching and dyeing
永義紡織(河源)有限公司 ("He Yuan")[2]	PRC	Registered US$1,000,000	—	100%	Knitting
永義製衣(湖州)有限公司 ("Huzhou Garment")[3]	PRC	Registered US$8,634,800	—	100%	Construction in progress of garment production plant for own use
永義紡織(湖州)有限公司 ("Huzhou Knitting")[4]	PRC	Registered US$3,313,846	—	100%	Construction in progress of knitting production plant for own use
永義漂染(湖州)有限公司 ("Huzhou Bleaching and Dyeing")[5]	PRC	Registered US$3,009,110	—	100%	Construction in progress of bleaching and dyeing production plant for own use

Notes:

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

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

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

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

5 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 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 result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 March 2008.

31. POST BALANCE SHEET EVENT

Subsequent to 31 March 2008, the holder of the Group's convertible note fully exercised his conversion right and converted the convertible note at its par value of HK$37,650,000 into 784,375,000 new ordinary shares of HK$0.01 each in the share capital of the Company at the conversion price of HK$0.048 per conversion share.

1. FINANCIAL SUMMARY OF THE GROUP

The following financial summary has been extracted from the audited consolidated financial statements of the Group for the three years ended 31 March 2008 as published in the 07/08 and 06/07 annual reports of the Company. No qualified opinions were issued by the Company's auditor for any of the three years ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March

	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	521,339	557,737	489,715
Cost of sales	(424,141)	(454,276)	(400,355)
Gross profit	97,198	103,461	89,360
Other income	24,037	14,686	9,386
Distribution costs	(11,747)	(14,526)	(12,689)
Administrative expenses	(45,460)	(50,868)	(49,459)
Gain arising on change in fair value of investment properties	52,928	7,370	189,730
Impairment loss on available-for-sale investments	(33,163)	(121,465)	—
Impairment loss on loans receivable	—	(2,160)	—
Impairment loss on trade and other receivables	—	(20)	(33,513)
(Loss) gain on fair value changes of investments held for trading	(9,690)	1,235	12
Loss on disposal of available-for-sale investments	(7,594)	(43,027)	—
Loss on disposal of investment properties	—	—	(1,136)
Share of results of associates	(6,399)	(4,125)	(4,548)
Finance costs	(10)	(31)	(4,609)
Profit (loss) before taxation	60,100	(109,470)	182,534
Taxation credit (charge)	4,236	(6,127)	(9,683)
Profit (loss) for the year attributable to equity holders of the Company	64,336	(115,597)	172,851

CONSOLIDATED BALANCE SHEET

At 31 March

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	16,428	17,938	24,190
Properties held for development	—	156,283	—
Investment properties	566,680	606,170	589,700
Intangible asset	921	921	921
Interests in associates	94,438	60,590	62,887
Available-for-sale investments	79,812	84,830	93,987
Loans receivable	83	5,125	—
	758,362	931,857	771,685
Current assets			
Properties held for development	178,587	—	—
Properties held for sale	1,822	7,228	14,426
Investments held for trading	139,033	41,566	3,600
Inventories	2,942	9,866	7,766
Trade and other receivables	32,143	49,278	72,226
Loans receivable	134,000	43,255	66,053
Bills receivable	30,826	46,661	17,220
Tax recoverable	368	—	301
Bank balances and cash	281,315	343,353	174,580
	801,036	541,207	356,172
Current liabilities			
Trade and other payables	40,482	46,903	41,754
Bills payable	3,566	4,648	4,514
Tax payable	23,978	24,102	24,364
Bank borrowings	—	—	3,819
	68,026	75,653	74,451
Net current assets	733,010	465,554	281,721
	1,491,372	1,397,411	1,053,406

	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Capital and reserves			
Share capital	7,942	7,942	132,367
Reserves	1,461,587	1,361,236	898,561
	1,469,529	1,369,178	1,030,928
Non-current liabilities			
Deferred taxation	21,843	28,233	22,478
	1,491,372	1,397,411	1,053,406

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained on pages 30 to 89 of the annual report of the Company for the year ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	NOTES	**2008** *HK$'000*	**2007** *HK$'000*
Turnover	7	521,339	557,737
Cost of sales		(424,141)	(454,276)
Gross profit		97,198	103,461
Other income		24,037	14,686
Distribution and selling expenses		(11,747)	(14,526)
Administrative expenses		(45,460)	(50,868)
Gain arising on change in fair value of investment properties		52,928	7,370
Impairment loss on available-for-sale investments	9	(33,163)	(121,465)
Impairment loss on loans receivable		—	(2,160)
Impairment loss on trade and other receivables		—	(20)
(Loss) gain on fair value changes of investments held for trading		(9,690)	1,235
Loss on disposal of available-for-sale investments		(7,594)	(43,027)
Share of results of associates		(6,399)	(4,125)
Finance costs — interest on bank borrowings wholly repayable within five years		(10)	(31)
Profit (loss) before taxation	10	60,100	(109,470)
Taxation credit (charge)	12	4,236	(6,127)
Profit (loss) for the year attributable to equity holders of the Company		64,336	(115,597)
Basic earnings (loss) per share	14	HK$0.081	HK$(0.260)

CONSOLIDATED BALANCE SHEET
At 31 March 2008

	NOTES	**2008** *HK$'000*	**2007** *HK$'000*
Non-current assets			
Property, plant and equipment	16	16,428	17,938
Properties held for development	17	—	156,283
Investment properties	18	566,680	606,170
Intangible asset	19	921	921
Interests in associates	20	94,438	60,590
Available-for-sale investments	21	79,812	84,830
Loans receivable	26	83	5,125
		758,362	931,857
Current assets			
Properties held for development	17	178,587	—
Properties held for sale	22	1,822	7,228
Investments held for trading	23	139,033	41,566
Inventories	24	2,942	9,866
Trade and other receivables	25	32,143	49,278
Loans receivable	26	134,000	43,255
Bills receivable	27	30,826	46,661
Tax recoverable		368	—
Bank balances and cash	28	281,315	343,353
		801,036	541,207
Current liabilities			
Trade and other payables	29	40,482	46,903
Bills payable	30	3,566	4,648
Tax payable		23,978	24,102
		68,026	75,653
Net current assets		733,010	465,554
		1,491,372	1,397,411

	NOTES	**2008**	**2007**
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	31	7,942	7,942
Reserves		1,461,587	1,361,236
		1,469,529	1,369,178
Non-current liabilities			
Deferred taxation	33	21,843	28,233
		1,491,372	1,397,411

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Translation reserve	Special reserve	Contributed surplus	Investment revaluation reserve	Property revaluation reserve	Share option reserve	Accumulated profits	Total
	HK$'000	*HK$'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)*		*(note d)*			
At 1 April 2006	132,367	4,412	—	737	9,800	220,937	(191,630)	—	1,900	852,405	1,030,928
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(8,288)	—	—	—	(8,288)
Share of translation reserve of associates	—	—	—	1,828	—	—	—	—	—	—	1,828
Revaluation of leasehold properties upon transfer to investment properties	—	—	—	—	—	—	—	2,521	—	—	2,521
Net income (expenses) recognised directly in equity	—	—	—	1,828	—	—	(8,288)	2,521	—	—	(3,939)
Released on disposal of available-for-sale investments	—	—	—	—	—	—	50,263	—	—	—	50,263
Impairment loss on available-for-sale investments	—	—	—	—	—	—	121,465	—	—	—	121,465
Loss for the year	—	—	—	—	—	—	—	—	—	(115,597)	(115,597)
Total recognised income and expenses for the year	—	—	—	1,828	—	—	163,440	2,521	—	(115,597)	52,192
Rights issue of shares at a price of HK$0.12 per rights share *(see note 31(b))*	66,184	13,237	—	—	—	—	—	—	—	—	79,421
Rights issue of shares at a price of HK$0.35 per rights share *(see note 31(c))*	5,956	202,522	—	—	—	—	—	—	—	—	208,478
Share issue expenses	—	(1,841)	—	—	—	—	—	—	—	—	(1,841)
Reduction of share capital upon capital reorganisation *(see note 31(a))*	(196,565)	—	196,565	—	—	—	—	—	—	—	—
Transfer of share option reserve to accumulated profits	—	—	—	—	—	—	—	—	(1,900)	1,900	—
At 31 March 2007 and 1 April 2007	7,942	218,330	196,565	2,565	9,800	220,937	(28,190)	2,521	—	738,708	1,369,178

	Share capital	Share premium	Capital reserve	Translation reserve	Special reserve	Contributed surplus	Investment revaluation reserve	Property revaluation reserve	Share option reserve	Accumulated profits	Total
	Attributable to equity holders of the Company										
	HK$'000	*HK$'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)*		*(note d)*			
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(8,541)	—	—	—	(8,541)
Share of translation reserve of associates	—	—	—	3,799	—	—	—	—	—	—	3,799
Net income (expenses) recognised directly in equity	—	—	—	3,799	—	—	(8,541)	—	—	—	(4,742)
Released on disposal of available-for-sale investments	—	—	—	—	—	—	7,594	—	—	—	7,594
Impairment loss on available-for-sale investments	—	—	—	—	—	—	33,163	—	—	—	33,163
Profit for the year	—	—	—	—	—	—	—	—	—	64,336	64,336
Total recognised income and expenses for the year	—	—	—	3,799	—	—	32,216	—	—	64,336	100,351
At 31 March 2008	7,942	218,330	196,565	6,364	9,800	220,937	4,026	2,521	—	803,044	1,469,529

Notes:

(a) The capital reserve of the Group represents the credit arising from the reduction of the share capital of the Company in October 2006.

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

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

(d) The property revaluation reserve of the Group represents the gain on revaluation of certain leasehold properties of the Group as a result of transfer of these leasehold properties from property, plant and equipment to investment properties in October 2006.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008	2007
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit (loss) before taxation	60,100	(109,470)
Adjustments for:		
Share of results of associates	6,399	4,125
Interest income	(17,484)	(11,492)
Interest expense	10	31
Depreciation of property, plant and equipment	1,140	1,510
Impairment loss on available-for-sale investments	33,163	121,465
Impairment loss on loans receivable	—	2,160
Impairment loss on inventories	—	1,021
(Reversal of impairment loss) impairment loss on trade and other receivables	(12)	20
Loss on disposal of available-for-sale investments	7,594	43,027
Dividend income from listed investments	(2,503)	(1,275)
Loss (gain) on fair value changes of investments held for trading	9,690	(1,235)
Gain arising on change in fair value of investment properties	(52,928)	(7,370)
Operating profit before movements in working capital	45,169	42,517
Increase in properties held for development	(22,304)	(156,283)
Decrease in properties held for sale	5,406	7,198
Decrease (increase) in inventories	6,924	(3,121)
(Increase) decrease in loans receivable	(85,703)	15,513
Increase in investments held for trading	(107,157)	(36,731)
Decrease in trade and other receivables	17,147	22,928
Decrease (increase) in bills receivable	15,835	(29,441)
(Decrease) increase in trade and other payables	(6,421)	5,149
(Decrease) increase in bills payable	(1,082)	134
Cash used in operations	(132,186)	(132,137)
Hong Kong Profits Tax paid	(2,646)	(634)
Hong Kong Profits Tax refunded	—	301
Net cash used in operating activities	(134,832)	(132,470)

	2008	2007
	HK$'000	*HK$'000*
Cash flows from investing activities		
Proceeds from disposal of investment properties	92,418	—
Proceeds from disposal of available-for-sale investments	50,417	29,577
Interest received	17,484	11,492
Dividend received from listed investments	2,503	1,275
Proceeds from disposal of property, plant and equipment	576	—
Purchase of available-for-sale investments	(53,940)	(21,472)
Capital contribution to associates	(36,448)	—
Purchase of property, plant and equipment	(206)	(1,837)
Net cash from investing activities	72,804	19,035
Cash flows from financing activities		
Interest paid	(10)	(31)
Proceeds from issue of new shares	—	287,899
Bank borrowings raised	—	26,188
Repayment of bank borrowings	—	(30,007)
Share issue expenses paid	—	(1,841)
Net cash (used in) from financing activities	(10)	282,208
Net (decrease) increase in cash and cash equivalents	(62,038)	168,773
Cash and cash equivalents at beginning of the year	343,353	174,580
Cash and cash equivalents at end of the year, represented by bank balances and cash	281,315	343,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), which is the functional currency of the Company.

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

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied, for the first time, the following new Standard, Amendment and Interpretations ("INTs") (collectively "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) — INT 8	Scope of HKFRS 2
HK(IFRIC) — INT 9	Reassessment of embedded derivatives
HK(IFRIC) — INT 10	Interim financial reporting and impairment
HK(IFRIC) — INT 11	HKFRS 2 — Group and treasury share transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 "Financial instruments: Disclosure and presentation" has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) — INT 12	Service concession arrangements[3]
HK(IFRIC) — INT 13	Customer loyalty programmes[4]
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.

2 Effective for annual periods beginning on or after 1 July 2009.

3 Effective for annual periods beginning on or after 1 January 2008.

4 Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new, revised or amended Standards and INTs may have impact on the results and financial position of the Group but the directors of the Company are still assessing the impact.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

Revenue recognition

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

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

Service income is recognised when services are rendered.

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

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

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

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

Borrowing costs

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

Property, plant and equipment

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

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, plant and equipment" from the requirement to make regular revaluations of the Group's leasehold land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of these properties is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the property revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Properties held for development

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

Costs relating to the development of properties, including purchase costs of the properties for development and development costs are capitalised and included as properties held for development until such time when they are completed.

Purchase costs for properties held for development which commencement of development is uncertain are stated at cost less accumulated impairment losses and are reclassified as current assets when the timing of development is ascertained and accounted for as properties held for development (see above).

Properties held for sale

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

Inventories

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

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the initial carrying amount of the asset.

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit and loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loans receivable, bills receivable and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loans receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and bills payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Intangible assets

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

Impairment of intangible assets

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

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

Impairment (other than intangible assets)

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

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

Foreign currencies

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

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

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the consolidated 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 consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. 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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Retirement benefit scheme

Payments to defined contribution retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered services entitling them to the contribution.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the management had made the following estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment allowance on loans receivable

The amount of the impairment of loans receivable is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. A considerable amount of judgment is required in estimating the expected discounted future cash flows. If the future estimated cash flows are less than the carrying amounts of loans receivables, additional allowances may be required.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raising of bank borrowings.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	18,620	23,436
Loans receivable	134,083	48,380
Bills receivable	30,826	46,661
Bank balances and cash	281,315	343,353
	464,844	461,830
Fair value through profit or loss		
Investments held for trading	139,033	41,566
Available-for-sale financial assets		
Available-for-sale investments	79,812	84,830
Financial liabilities		
Amortised costs		
Trade and other payables	35,550	41,359
Bills payable	3,566	4,648
	39,116	46,007

(b) Financial risk management objectives and policies

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

Market risk

(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk through the impact of the rate changes on variable-rate loans receivable as most of the Group's loans receivable at 31 March 2007 are at variable rates. The Group has reduced such risk by keeping most loans receivable as at 31 March 2008 at fixed rates (see note 26 for details of these loans). The management monitors interest rate exposure and will consider hedging interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate loans receivable as at 31 March 2008 (see note 26 for details of these loans). The Group has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

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 of the Company consider that 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 period.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate loans receivable and interest bearing bank balances at the balance sheet date. The analysis is prepared assuming the amount of variable-rate loans receivable and bank balances outstanding at the balance sheet date was outstanding for the whole year.

If interest rates on variable-rate loans receivable and interest bearing bank balances had been 100 basis points higher/lower and all other variables were held constant, the profit for the year ended 31 March 2008 would increase/decrease by HK$2,887,000 (2007: increase/decrease by HK$3,677,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable and interest bearing bank balances.

(ii) *Currency risk*

Certain subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currencies, which exposes the Group to foreign currency risk. Approximately 86% of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale, whilst all of the Group's purchases are denominated in the group entities' functional currency.

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

	Assets		Liabilities	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollars ("USD")	51,026	66,775	1,973	407
Euro	13,935	1,035	—	—

Sensitivity analysis

The Group is mainly exposed to the exchange rate risk on HKD against USD and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As HKD is pegged to USD, the financial impact on exchange difference between HKD and USD is expected to be immaterial and therefore no sensitivity analysis has been prepared.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where HKD weaken 5% against Euro. For a 5% strengthening of HKD against Euro, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

	2008	**2007**
	HK$'000	*HK$'000*
Increase in profit	575	43

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

(iii) *Equity price risk*

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles and the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's equity price risk is concentrated on equity securities listed in Hong Kong and these investments are diversified into several different industries.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, profit for the year ended 31 March 2008 would be increased/decreased by HK$5,735,000 (2007: increased/decreased by HK$1,715,000) as a result of the changes in fair value of investments held for trading; and the investment revaluation reserve of the Group at 31 March 2008 would be increased/decreased by HK$3,991,000 (2007: increased/decreased by HK$4,242,000) as a result of the changes in fair value of the available-for-sale investments. In management's opinion, the sensitivity analysis is unrepresentative of the equity price risk as the year end exposure does not reflect the exposures during the year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 March 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In view of nature of garment business, the Group has targeted on the market of cotton-based knitted garments for infants, children and women. The Group has concentration of credit risk as the Group's trade receivables as at 31 March 2008 of HK$15,690,000 (2007: HK$19,050,000) was derived from a few customers. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts. In addition, the management has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

The Group also has concentration of credit risk in relation to loans receivable from a few borrowers amounting to HK$134,083,000 at 31 March 2008 (2007: HK$48,380,000). The top five borrowers of the Group accounted for approximately 37.3% (2007: 76.5%) of the Group's loans receivable at 31 March 2008. In order to minimise the credit risk, the management has reviewed the recoverable amounts of the loans receivable regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on loans receivable is significantly reduced.

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.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations. The management also monitors the utilisation of borrowings and ensures compliance with loan covenants.

At 31 March 2008, the Group has available unutilised bank loan facilities of HK$106,434,000 (2007: HK$110,352,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity risk tables

	Weighted average effective interest rate	**Less than 3 months**	**3 months to 1 year**	**Total undiscounted cash flows**	**Carrying amounts at 31 March**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Non-derivative financial liabilities					
Trade and other payables	N/A	26,379	9,171	35,550	35,550
Bills payable	N/A	3,566	—	3,566	3,566
		29,945	9,171	39,116	39,116
2007					
Non-derivative financial liabilities					
Trade and other payables	N/A	31,971	9,388	41,359	41,359
Bills payable	N/A	4,648	—	4,648	4,648
		36,619	9,388	46,007	46,007

(c) **Fair value**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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 and rental income received and receivable during the year. An analysis of the Group's turnover is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Sales of goods	487,806	523,188
Rental income	27,164	26,138
Sales of properties	6,080	8,133
Building management fee income	289	278
	521,339	557,737

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five main operating divisions — garment sourcing and exporting, property investments, property development, investment in securities and loan financing. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Year 2008

(i) *Income statement*

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

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

(ii) *Balance sheet*

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

(iii) *Other information*

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

Year 2007

(i) *Income statement*

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

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

(ii) *Balance sheet*

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

(iii) *Other information*

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

Geographical segments

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

	Turnover	
	2008	**2007**
	HK$'000	*HK$'000*
Hong Kong	33,533	34,549
The People's Republic of China, excluding Hong Kong (the "PRC")	297	51
United States of America ("USA")	435,847	468,779
Europe	39,712	49,725
Mexico	11,950	4,633
	521,339	557,737

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	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,156,897	1,032,588	98	1,757
USA	10,085	20,463	108	80
	1,166,982	1,053,051	206	1,837

9. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 March 2008, impairment loss on available-for-sale investments of HK$33,163,000 (2007: HK$121,465,000) was recognised as a result of continuous decline in market value of certain of the Group's listed equity investments.

10. PROFIT (LOSS) BEFORE TAXATION

	2008	2007
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration *(note 11(a))*	4,602	4,014
Other staff costs, including retirement benefits costs	24,596	26,532
Total staff costs	29,198	30,546
Depreciation of property, plant and equipment	1,140	1,510
Auditor's remuneration:		
— current year	868	779
— underprovision in prior years	145	85
Cost of inventories recognised as an expense	418,735	446,057
Cost of properties sold	5,406	7,198
Impairment loss on inventories	—	1,021
and after crediting:		
Dividend income from listed investments	2,503	1,275
Interest income	17,484	11,492
Reversal of impairment loss on trade and other receivables	12	—

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

Details of emoluments to the directors of the Company for the year ended 31 March 2008 are as follows:

	Executive director		Non-executive director	Independent non-executive director			
	Kwong Jimmy Cheung Tim	Lui Yuk Chu	Tse Wing Chiu, Ricky	Wong Sui Wah, Michael	Jong Koon Sang	Tsui Chun Kong	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	29	100	100	100	329
Other emoluments							
— salaries and other benefits	789	2,548	855	—	—	—	4,192
— retirement benefits schemes contributions	12	60	9	—	—	—	81
Total directors' emoluments	801	2,608	893	100	100	100	4,602

Note: Mr. Tse Wing Chiu, Ricky was re-designated from executive director to non-executive director during the year ended 31 March 2008.

Details of emoluments to the directors of the Company for the year ended 31 March 2007 are as follows:

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

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

The five highest paid individuals of the Group during the year included two (2007: two) directors. The emoluments of the remaining three (2007: three) highest paid individuals, not being directors, are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	3,186	3,128

The emoluments of these employees fall within the following bands:

	Number of employees	
	2008	**2007**
Nil to HK$1,000,000	1	1
HK$1,000,001 - HK$1,500,000	2	2
	3	3

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.

12. TAXATION

	2008	**2007**
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Current tax — Hong Kong Profits Tax:		
Current year	2,132	374
Under(over) provision in prior years	22	(2)
	2,154	372
Deferred taxation (credit) charge *(note 33)*	(6,390)	5,755
Tax (credit) charge attributable to the Company and its subsidiaries	(4,236)	6,127

Hong Kong Profits Tax has been provided at 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

With effect from the year of assessment 2008/09, Hong Kong Profits Tax has been reduced from 17.5% to 16.5%.

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

	2008	2007
	HK$'000	*HK$'000*
Profit (loss) before taxation	60,100	(109,470)
Tax charge (credit) of Hong Kong Profits Tax at 17.5% (2007: 17.5%)	10,518	(19,157)
Tax effect of expenses not deductible for tax purposes	7,386	29,972
Tax effect of income not taxable for tax purposes	(10,669)	(3,342)
Tax effect of share of results of associates	1,120	722
Tax effect of tax losses not recognised	1,289	1,964
Tax effect of utilisation of tax losses previously not recognised	(2,875)	(4,309)
Under(over) provision in prior years	22	(2)
Release of deferred taxation arising from disposal of investment properties	(11,305)	—
Others	278	279
Taxation (credit) charge for the year	(4,236)	6,127

13. DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2008.

14. BASIC EARNINGS (LOSS) PER SHARE

The calculations of the basic earnings (loss) per share are based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Earnings (loss) for the purposes of calculating basic earnings (loss) per share	64,336	(115,597)

	2008	2007
Number of shares		
Number of shares/weighted average number of shares for the purposes of calculating basic earnings (loss) per share	794,204,028	444,167,875

No diluted earnings per share is presented in 2008 as there is no share option of the Company outstanding during the year. In addition, there is no dilutive effect on the Company's diluted earnings per share in relation to the outstanding convertible note in issue during the year by Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), an associate of the Group.

No diluted loss per share was presented in 2007 as the exercise price of the Company's outstanding share options was higher than the average market price during that year.

15. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

(a) During the year, the Group had the following transactions with related parties/persons deemed to be "connected persons" pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange, being entities controlled by certain relatives of Mr. Koon Wing Yee, a former director of the Company, and his spouse, Ms. Lui Yuk Chu, a director of the Company:

	2008	**2007**
	HK$'000	*HK$'000*
Commission income	54	—
Purchases of garments	150	48,017
Rental income	573	601

(b) During the year ended 31 March 2008, the Group provided administrative service to Easyknit Enterprises and received service income of HK$240,000 (2007: HK$240,000) from that company. Easyknit Enterprises is an associate of the Group and a company in which Ms. Lui Yuk Chu, a director of the Company, and her spouse, Mr. Koon Wing Yee, have beneficial interests.

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

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

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

	2008	**2007**
	HK$'000	*HK$'000*
Short-term employee benefits	8,811	8,598
Post employment benefits	141	132
	8,952	8,730

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.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties *HK$'000* *(note a)*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST OR VALUATION				
At 1 April 2006	41,384	12,865	2,479	56,728
Additions	—	269	1,568	1,837
Disposals	—	(16)	—	(16)
Transferred to investment properties *(note b)*	(9,065)	—	—	(9,065)
At 31 March 2007 and 1 April 2007	32,319	13,118	4,047	49,484
Additions	—	206	—	206
Disposals	—	(100)	(1,330)	(1,430)
At 31 March 2008	32,319	13,224	2,717	48,260
Comprising:				
At 31 March 2007				
At cost	3,319	13,118	4,047	20,484
At valuation — 1995	29,000	—	—	29,000
	32,319	13,118	4,047	49,484
At 31 March 2008				
At cost	3,319	13,324	2,717	19,360
At valuation — 1995	29,000	—	—	29,000
	32,319	13,324	2,717	48,360
ACCUMULATED DEPRECIATION				
At 1 April 2006	19,505	12,118	915	32,538
Provided for the year	466	358	686	1,510
Eliminated on disposals	—	(16)	—	(16)
Eliminated on transfer to investment properties	(2,486)	—	—	(2,486)
At 31 March 2007 and 1 April 2007	17,485	12,460	1,601	31,546
Provided for the year	366	279	495	1,140
Eliminated on disposals	—	(100)	(754)	(854)
At 31 March 2008	17,851	12,639	1,342	31,832
CARRYING VALUES				
At 31 March 2008	14,468	585	1,375	16,428
At 31 March 2007	14,834	658	2,446	17,938

Notes:

(a) 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.

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

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

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

The carrying value of leasehold properties shown above comprises:

	2008	**2007**
	HK$'000	*HK$'000*
Properties held on medium-term lease in Hong Kong	14,468	14,834

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

17. PROPERTIES HELD FOR DEVELOPMENT

At 31 March 2007, due to the uncertainty on the timing of the successful acquisition of the remaining units of the building (the "Remaining Properties") for development purpose within the Group's normal operating cycle, properties held for development were not included as the Group's current assets in the consolidated balance sheet.

During the year ended 31 March 2008, the Group completed the acquisition of the Remaining Properties at a total consideration of HK$12,880,000 and the development project has been commenced. Properties held for development at 31 March 2008 were therefore included in current assets in the consolidated balance sheet as it is expected that the properties may be realised in the Group's normal operating cycle for properties development, which is expected to be more than twelve months after the balance sheet date.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2006	589,700
Transferred from leasehold properties	9,100
Increase in fair value recognised in the consolidated income statement	7,370
At 31 March 2007 and 1 April 2007	606,170
Increase in fair value recognised in the consolidated income statement	52,928
Disposal	(92,418)
At 31 March 2008	566,680

The fair values of the Group's investment properties at 31 March 2008 and 2007 have been arrived at on the basis of a valuation carried out on those days by Messrs. Knight Frank Petty Limited, independent qualified professional property valuers not connected with the Group. Messrs. Knight Frank Petty Limited 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 of the Group's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises:

	2008	**2007**
	HK$'000	*HK$'000*
Land in Hong Kong:		
Long lease	86,000	79,000
Medium-term lease	480,680	527,170
	566,680	606,170

19. INTANGIBLE ASSET

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

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

20. INTERESTS IN ASSOCIATES

	2008	2007
	HK$'000	*HK$'000*
Listed securities in Hong Kong, at cost	112,124	75,676
Share of post-acquisition losses	(24,050)	(17,651)
Share of translation reserve	6,364	2,565
	94,438	60,590
Market value of listed securities	65,605	3,752,868

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

	2008	2007
	HK$'000	*HK$'000*
Total assets	333,349	204,879
Total liabilities	(66,384)	(36,245)
Net assets *(note)*	266,965	168,634
Group's share of net assets of associates	94,438	60,590
Turnover	74,923	75,964
Loss for the year	(17,811)	(11,481)
Total share of results of associates for the year	(6,399)	(4,125)

Note: The amount includes the equity component of the convertible note issued by Easyknit Enterprises in March 2008 to a third party amounting to HK$4,128,000 (2007: nil), which is not shared by the Group.

Particulars of the Group's principal associates as at 31 March 2008 and 2007 are as follows:

Name of associate	Form of business structure	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital/paid up registered capital/stated capital held by the Group	Nature of business
Easyknit Enterprises	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%*	Construction in progress of garment production plant for own use
永義紡織(湖州)有限公司 ("Huzhou Knitting")*****	Establishment	PRC	PRC	N/A	35.93%*	Construction in progress of knitting production plant for own use
永義漂染(湖州)有限公司 ("Huzhou Bleaching and Dyeing")******	Establishment	PRC	PRC	N/A	35.93%*	Construction in progress of bleaching and dyeing production plant for own use

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

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

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

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

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

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

The above table lists the associates of the Group, which, in the opinion of the directors of the Company, principally affected the results of the year 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.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2008	**2007**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at market value	79,812	84,830

22. 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.

23. INVESTMENTS HELD FOR TRADING

	2008	**2007**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at market value	139,033	41,566

24. INVENTORIES

	2008	**2007**
	HK$'000	*HK$'000*
Raw materials	—	182
Work in progress	—	1,928
Finished goods	2,942	7,756
	2,942	9,866

25. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	16,480	24,171
Less: Allowance for doubtful debts	(790)	(5,121)
	15,690	19,050
Deposits to suppliers	13,034	25,100
Other receivables	3,419	5,128
	32,143	49,278

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

	2008	2007
	HK$'000	*HK$'000*
0 - 60 days	15,404	17,919
61 - 90 days	224	533
Over 90 days	62	598
	15,690	19,050

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

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$3,918,000 (2007: HK$1,584,000) which are past due at the reporting date for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

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

	2008	2007
	HK$'000	*HK$'000*
Overdue by 1 to 60 days	3,856	490
Overdue by 61 to 90 days	1	532
Overdue by over 90 days	61	562
	3,918	1,584

Movement in the allowance for doubtful debts:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	5,121	5,101
Amounts written off as uncollectible	(4,319)	—
Impairment losses recognised on receivables	—	20
Amounts recovered during the year	(12)	—
Balance at end of the year	790	5,121

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$790,000 (2007: HK$5,121,000) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

No allowance was made for trade receivables that are past due but not impaired at the balance sheet date as the amounts were expected to be subsequently recovered after the balance sheet date.

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008	2007
	HK$'000	*HK$'000*
USD	4,891	5,713
Euro	2,130	1,035

26. LOANS RECEIVABLE

	2008	**2007**
	HK$'000	*HK$'000*
Amount secured by property interests and bearing interest at the bank's Hong Kong dollars best lending rate plus 2% (2007: fixed rate of 9%) per annum	9,000	2,297
Unsecured amount		
— guaranteed by outside parties and bearing interest at a rate ranging from 6% to 9.75% (2007: 4% to the bank's Hong Kong dollars best lending rate plus 2%) per annum	75,083	28,083
— bearing interest at 8.75% (2007: Hong Kong Interbank Offer Rate plus 2.125%) per annum	50,000	18,000
	134,083	48,380
Less: Amount due from borrowers within one year shown under current assets	(134,000)	(43,255)
Amount due from borrowers after one year but not more than two years shown under non-current assets	83	5,125

The management closely monitors the credit quality of loans receivable and considers loans receivable that are neither past due nor impaired to be of good credit quality. No loans receivable is past due at both balance sheet dates.

Movement in the allowance for doubtful debts:

	2008	**2007**
	HK$'000	*HK$'000*
Balance at beginning of the year	2,160	—
Amounts written off as uncollectible	(2,160)	—
Impairment losses recognised on receivables	—	2,160
Balance at end of the year	—	2,160

Included in the allowance for doubtful debts in 2007 were individually impaired loans receivable with an aggregate balance of HK$2,160,000 (2008: nil) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

All loans receivable are denominated in HKD at both balance sheet dates.

27. BILLS RECEIVABLE

At the balance sheet date, the bills receivable are aged within 90 days (2007: 90 days).

The Group's bills receivable that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008	2007
	HK$'000	*HK$'000*
USD	30,826	46,661

28. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 5.75% (2007: 1.75% to 4.20%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008	2007
	HK$'000	*HK$'000*
USD	15,309	14,401
Euro	11,805	—

29. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$23,704,000 (2007: HK$29,084,000). The aged analysis of trade payables at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 - 60 days	23,687	28,927
61 - 90 days	12	2
Over 90 days	5	155
	23,704	29,084

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008	2007
	HK$'000	*HK$'000*
USD	529	407

30. BILLS PAYABLE

At the balance sheet date, the bills payable are aged within 30 days (2007: 30 days).

The Group's bills payable that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008	2007
	HK$'000	*HK$'000*
USD	1,444	—

31. SHARE CAPITAL

	Notes	Nominal value per share	Number of shares	Amount
		HK$		*HK$'000*
Authorised:				
At 1 April 2006		0.10	10,000,000,000	1,000,000
Consolidation of shares	(a)		(9,000,000,000)	—
Subdivision of shares	(a)		99,000,000,000	—
At 31 March 2007 and 31 March 2008		0.01	100,000,000,000	1,000,000
Issued and fully paid:				
At 1 April 2006		0.10	1,323,673,386	132,367
Rights issue of shares at a price of HK$0.12 per rights share	(b)	0.10	661,836,693	66,184
Consolidation of shares	(a)		(1,786,959,072)	—
Subdivision of shares and reduction of share capital	(a)		—	(196,565)
Rights issue of shares at a price of HK$0.35 per rights share	(c)	0.01	595,653,021	5,956
At 31 March 2007 and 31 March 2008		0.01	794,204,028	7,942

Notes:

(a) As announced by the Company on 30 August 2006, the Company proposed to effect (i) a share consolidation (the "Share Consolidation") pursuant to which every ten issued and unissued then existing shares of HK$0.10 each were consolidated into one consolidated share of HK$1.00 each ("Consolidated Share"); (ii) reduction of par value of each Consolidated Share from HK$1.00 each to HK$0.01 each by cancelling HK$0.99 paid up share capital for each Consolidated Share in issue, subdivision of each unissued Consolidated Share with par value of HK$1.00 each into 100 new shares with par value of HK$0.01 each and transfer of credit arising therefrom with the amount of approximately HK$196,565,000 to the capital reserve account (the "Capital Reduction", together with the Share Consolidation, collectively referred to the "Capital Reorganisation"). Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 22 September 2006. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 16 October 2006. The Capital Reorganisation became effective on 17 October 2006.

(b) 661,836,693 rights shares of HK$0.10 each were allotted on 24 April 2006 at a subscription price of HK$0.12 per rights share to the shareholders of the Company in the proportion of one rights share for every two existing shares then held. The Company raised approximately HK$78,919,000 (net of directly attributable expenses of approximately HK$502,000), which was used as partial payment for acquisition of the properties for development. All shares issued rank pari passu with the then existing shares in issue in all respects.

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

32. SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

There was no share option outstanding at 31 March 2008 or at any time during the year.

Notes:

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

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

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

33. 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 2006	390	43,883	(21,795)	22,478
(Credit) charge to consolidated income statement	(66)	1,814	4,007	5,755
At 31 March 2007 and 1 April 2007	324	45,697	(17,788)	28,233
(Credit) charge to consolidated income statement	(68)	(8,605)	2,283	(6,390)
At 31 March 2008	256	37,092	(15,505)	21,843

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

At 31 March 2008, the Group has unused tax losses of HK$189,918,000 (2007: HK$212,028,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$88,598,000 (2007: HK$101,646,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$101,320,000 (2007: HK$110,382,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except the losses of HK$52,453,000 (2007: HK$45,153,000) which will expire as follows:

	2008	2007
	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	7,650
2027	9,022	9,022
2028	7,300	—
	52,453	45,153

34. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to banks to secure credit facilities granted to the Group:

	2008	2007
	HK$'000	*HK$'000*
Investment properties	138,500	131,000

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2008	2007
	HK$'000	*HK$'000*
Minimum lease payments recognised in the consolidated income statement during the year	2,147	3,258

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

	2008	2007
	HK$'000	*HK$'000*
Within one year	918	1,896
In the second to fifth year inclusive	676	1,591
	1,594	3,487

Operating lease payments represent rentals payable by the Group for certain of its office premises and directors' quarters. Leases are negotiated for terms 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

	2008	2007
	HK$'000	*HK$'000*
Property rental income earned during the year	27,164	26,138
Less: Outgoings	(881)	(753)
Net rental income	26,283	25,385

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

	2008	2007
	HK$'000	*HK$'000*
Within one year	23,202	25,445
In the second to fifth year inclusive	9,595	24,744
	32,797	50,189

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

36. RETIREMENT BENEFITS SCHEMES

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

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

The aggregate employers' contributions which have been dealt with in the consolidated income statement for the year ended 31 March 2008 amounted to HK$776,000 (2007: HK$753,000).

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

37. SIGNIFICANT EVENTS

The Company included in note 39 (c) of the Group's annual financial statements for the year ended 31 March 2007, details of, among others, a possible merger of Easyknit Enterprises with Wits Basin Precious Minerals Inc. ("Wits Basin") and a possible issue of approximately 3 billion shares by Easyknit Enterprises to the shareholders of Wits Basin which may lead to a dilution of the Company's shareholding in Easyknit Enterprises from approximately 35.93% to approximately 19.40%. Wits Basin is a company incorporated in Minnesota, the USA whose principal business was the exploration and development of minerals in Mexico, Colorado and South Africa.

The Company further announced jointly with Easyknit Enterprises on 20 August and 6 November 2007 that Wits Basin had sent a letter to Easyknit Enterprises purporting to terminate the merger agreements on the grounds cited or on any other grounds. Easyknit Enterprises did not admit any allegations made by Wits Basin or that Wits Basin was entitled to terminate the merger agreements on the grounds cited or on any other grounds. Easyknit Enterprises took legal advice in the USA about the purported termination of the merger agreements and instructed its lawyers in the USA to claim from Wits Basin a break up fee of US$30,000,000 (approximately HK$234 million) according to the termination clauses noted in the merger agreements.

On 19 December 2007, Easyknit Enterprises entered into a settlement agreement and general release (the "Settlement and Release") with Wits Basin in relation to the merger agreements and the litigation between Easyknit Enterprises and Wits Basin. Pursuant to the Settlement and Release, among others, the possible merger will not proceed and Easyknit Enterprises and Wits

Basin agreed to dismiss the litigation previously started by Wits Basin on 15 August 2007, including all claims, counterclaims, and defences, with prejudice and on the merits, without further costs or fees to any party. In addition, it was agreed that all written or oral agreements entered into between Easyknit Enterprises and Wits Basin prior to the execution of the Settlement and Release were deemed terminated. Details of the Settlement and Release are set out in the Company's joint announcement with Easyknit Enterprises dated 19 December 2007.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2008 and 2007 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
			2008		2007		
			Directly	Indirectly	Directly	Indirectly	
Cheong Ko Investment Company Limited	Hong Kong	Ordinary HK$2 (Non-voting preferred HK$10,000) *	—	100%	—	100%	Property holding
Easyknit BVI Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100%	—	100%	—	Investment holding
Easyknit Global Company Limited (formerly known as Easyknit Trading Company Limited and Perfect Luck Development Limited)	Hong Kong	Ordinary HK$2	—	100%	—	100%	Trading of garments
Easyknit International Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	—	Investment holding
Easyknit Properties Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US$1,000	100%	—	100%	—	Investment holding
Easyknit Properties Management Limited	Hong Kong	Ordinary HK$10,000	—	100%	—	100%	Property management
Easyknit Worldwide Company Limited (formerly known as Easyknit International Trading Company Limited and Grand Modern Investment Limited)	Hong Kong	Ordinary HK$2	—	100%	—	100%	Trading of garments

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 2008 Directly	2008 Indirectly	2007 Directly	2007 Indirectly	Principal activities
Golden Top Properties Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Property holding
Grand Modern Investment Limited (formerly known as Easyknit International Trading Company Limited)	Hong Kong	Ordinary HK$2	—	100%	—	100%	Trading of garments
Grand Profit Development Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Trading of garments
Happy Light Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	—	100%	Property development
Janson Properties Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Property holding
Landmark Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	—	Investment holding
Mark Profit Development Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Property holding and property development
Mary Mac Apparel Inc.	USA	Common stock US$7,738,667	—	100%	—	100%	Garment distribution
Perfect Luck Development Limited (formerly known as Easyknit Trading Company Limited)	Hong Kong	Ordinary HK$2	—	100%	—	100%	Trading of garments
Planetic International Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Finance company
Wellmake Investments Limited	Hong Kong	Ordinary HK$9,998 (Non-voting deferred HK$2) *	—	100%	—	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 2008.

39. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 March 2008:

(a) The holder of the convertible note issued by Easyknit Enterprises exercised his conversion right and converted the whole amount of the convertible note at its par value of HK$37,650,000 into 784,375,000 new ordinary shares of Easyknit Enterprises at a conversion price of HK$0.048 per conversion share. The Group's interest in Easyknit Enterprises was diluted from approximately 35.93% to approximately 31.70% and the gain on partial disposal of interests in associates is not expected to be significant.

(b) As announced by the Company on 18 April 2008, the Group acquired certain equity securities listed in Hong Kong, which were classified as investments held for trading, from the market at a consideration of approximately HK$21.6 million (exclusive of transaction costs).

(c) As announced by the Company on 20 June 2008, the Group disposed of certain equity securities listed in Hong Kong, which were classified as investments held for trading and available-for-sale investments, through the market for an aggregate gross sale proceeds of approximately HK$23.6 million. The gain on fair value change of the investments held for trading and available-for-sale investments from 1 April 2008 to the date of disposals amounted to approximately HK$2.1 million.

(d) As announced by the Company on 27 June 2008, the Group entered into a sale and purchase agreement with a vendor to acquire the entire issued share capital of Trump Elegant Investment Limited ("Trump Elegant") for a total consideration of HK$8,300,000. The Group also agreed to advance an interest-free loan to Trump Elegant up to an aggregate amount not exceeding HK$32,000,000. Trump Elegant is a limited liability company incorporated in Hong Kong and is the purchaser under various property purchase agreements. The acquisition of Trump Elegant will enable the Group to acquire 11 out of the 12 units in the building situated on Section B of Kowloon Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong).

In addition, the vendor granted to the Group the right to require the vendor to purchase from the Group entire issued share capital of Trump Elegant if completion of any units does not take place, at a consideration equivalent to the aggregate of HK$8,300,000 and total sum paid by Trump Elegant and the Group.

Details of the above are set out in the announcement of the Company dated 27 June 2008.

3. WORKING CAPITAL

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

4. INDEBTEDNESS

At the close of business on 31 October 2008, being the latest practicable date for ascertaining this indebtedness prior to the printing of this circular, the Group had available banking facilities which were secured by charges over certain properties of the Group. Other than normal trade bills, no facility was utilised by the Group at the close of business on 31 October 2008.

Apart from intra-group liabilities, the Group did not have at the close of business on 31 October 2008 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.

1. UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

The unaudited pro forma net assets statement of the Group (the "Unaudited Pro Forma Net Assets Statement") has been prepared to demonstrate the effect of the full acceptance of provisional allotment under the EE Rights Issue (the "Proposed Transaction").

The Unaudited Pro Forma Net Assets Statement has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Proposed Transaction as if the Proposed Transaction had been taken place on 31 March 2008.

The preparation of the Unaudited Pro Forma Net Assets Statement is based on the audited consolidated balance sheet of the Group as at 31 March 2008 which has been extracted from the published annual report of the Group for the year ended 31 March 2008 and adjusted only to reflect the pro forma adjustment described in the note thereto. Narrative description of the unaudited pro forma adjustment that is directly attributable to the Proposed Transaction, and is factually supportable, is summarised in the accompanying note.

The Unaudited Pro Forma Net Assets Statement is based on a number of assumptions, estimates and uncertainties. The accompanying Unaudited Pro Forma Net Assets Statement does not purport to describe the actual financial position of the Group that would have been attained had the Proposed Transaction been completed on 31 March 2008. The Unaudited Pro Forma Net Assets Statement does not purport to predict the future financial position of the Group.

The Unaudited Pro Forma Net Assets Statement should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Group for the year ended 31 March 2008 and other financial information included elsewhere in this circular.

	The Group as at 31 March 2008	Pro forma adjustment	Pro forma total for the Group
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Note)*	
Non-current assets			
Property, plant and equipment	16,428	—	16,428
Investment properties	566,680	—	566,680
Intangible asset	921	—	921
Interests in associates	94,438	31,744	126,182
Available-for-sale investments	79,812	—	79,812
Loans receivable	83	—	83
	758,362	31,744	790,106
Current assets			
Properties held for development	178,587	—	178,587
Properties held for sale	1,822	—	1,822
Investments held for trading	139,033	—	139,033
Inventories	2,942	—	2,942
Trade and other receivables	32,143	—	32,143
Loans receivable	134,000	—	134,000
Bills receivable	30,826	—	30,826
Tax recoverable	368	—	368
Bank balances and cash	281,315	(31,744)	249,571
	801,036	(31,744)	769,292
Current liabilities			
Trade and other payables	40,482	—	40,482
Bills payable	3,566	—	3,566
Tax payable	23,978	—	23,978
	68,026	—	68,026
Net current assets	733,010	(31,744)	701,266
Total assets less current liabilities	1,491,372	—	1,491,372
Non-current liabilities			
Deferred taxation	21,843	—	21,843
Net assets	1,469,529	—	1,469,529

Note: The adjustment represents the consideration to be paid by the Group for full acceptance of provisional allotment under the EE Rights Issue. The transaction cost for the Proposed Transaction is considered immaterial.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA NET ASSETS STATEMENT

TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma net assets statement 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 full acceptance of provisional allotment under the rights issue of Easyknit Enterprises Holdings Limited (the "Proposed Transaction") might have affected the financial information presented, for inclusion in Section 1 of Appendix III to the circular of the Company dated 8 December 2008 in connection with the Proposed Transaction (the "Circular"). The basis of preparation of the unaudited pro forma net assets statement of the Group is set out in Section 1 of Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma net assets statement of the Group in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma net assets statement of the Group 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 net assets statement of the Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma net assets statement of the Group 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 net assets statement of the Group has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma net assets statement of the Group as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma net assets statement of the Group is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 March 2008 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma net assets statement of the Group 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 so far as such policies relate to the Group's net assets; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma net assets statement of the Group as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 December 2008

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 BY DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Provision of Division 7 and 8 of Part XV of the SFO (including interests or the short positions which they were taken or deemed to have under such provision of the SFO); or (ii) pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Ms. Lui Yuk Chu (*Note i*)	Beneficiary of a trust	291,794,804	36.74%

Note i: These shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

(b) **Interests in associated corporations (long positions):**

Easyknit Enterprises

1. Interests in issued shares

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Ms. Lui Yuk Chu (*Note ii*)	Beneficiary of a trust	21,162,787	31.7%

Note ii: These issued shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

2. Interests in unissued shares

Name of Director	Capacity	Number of unissued ordinary shares held	Approximate percentage to unissued ordinary shares of the Company
Ms. Lui Yuk Chu (*Note iii*)	Beneficiary of a trust	211,627,870	31.7%

Note iii: These are the Rights Shares which Landmark Profits Limited, a wholly-owned subsidiary of the Company, has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

Wellmake Investments Limited ("Wellmake") (*Note iv*)

Name of Director	**Capacity**	**Number of non-voting deferred shares held**	**Percentage to issued non-voting deferred shares of Wellmake**
Ms. Lui Yuk Chu	*Note v*	2	100%

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

Note v: 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 chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF INTEREST BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, the following persons (other than the Directors and the chief executives of the Company) had following interests or a short position in the shares and/or underlying shares which would fall to be disclosed to the Company under the provision of Division 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:

Long positions:

Name of substantial shareholder	**Capacity**	**Number of ordinary shares held**	**Percentage to issued ordinary share of the Company**
Koon Wing Yee *(note i)*	Interest of spouse	291,794,804	36.74%
Magical Profits Limited *(notes i and ii)*	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited *(note i)*	Interest of controlled corporation	291,794,804	36.74%

Name of substantial shareholder	Capacity	Number of ordinary shares held	Percentage to issued ordinary share of the Company
Hang Seng Bank Trustee International Limited *(notes i and iii)*	Trustee	291,794,804	36.74%
Hang Seng Bank Limited *(note iii)*	Interest of controlled corporation	291,794,804	36.74%
The Hongkong and Shanghai Banking Corporation Limited *(notes iii and iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings BV *(note iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings (UK) *(note iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings BV *(note iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Finance (Netherlands) *(note iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings plc *(note iv)*	Interest of controlled corporation	291,794,809	36.74%

Notes:

(i) The 291,794,804 shares relate to the same block of shares. These shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was a wholly-owned subsidiary of Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu was deemed to be interested in the 291,794,804 shares by virtue of the SFO.

(ii) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Magical Profits Limited.

(iii) Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited was owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited.

(iv) The 291,794,809 shares relate to the same block of shares. Out of the 291,794,809 shares, 291,794,804 shares were registered in the name of and were beneficially owned by Magical Profits Limited. The remaining 5 shares were held by HSBC Broking Securities (Asia) Limited, which was a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn was wholly-owned by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong & Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

Other than as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

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

5. LITIGATION

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

6. MATERIAL ADVERSE CHANGES

As per announcement of the Company dated 2 December 2008, the Board has informed the Shareholders and potential investors that the 2008 unaudited interim results are expected to record a loss as compared to a profit for the corresponding period ended 30 September 2007.

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 2008, being the date to which the latest published audited accounts of the Group were made up.

7. COMPETING INTERESTS

To the best of the Directors' knowledge, none of the Directors and their respective associates are considered to have any interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

8. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company had any direct or indirect interest in any asset which had been, since 31 March 2008, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

9. MATERIAL CONTRACTS

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

(a) the binding provisional sale and purchase agreement dated 26 June 2007 entered into between Cheong Ko Investment Company Limited ("Cheong Ko"), a wholly-owned subsidiary of the Company, as the vendor and Deluxe Mind Investment Limited ("Deluxe Mind") as the purchaser and Midland Realty (Shops) Limited as the agent in respect of the disposal of the premises situated on the ground floor, including cockloft, of No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong ("Sale Property");

(b) the agreement for sale and purchase dated 3 August 2007 entered into between Cheong Ko as the vendor and Deluxe Mind as the purchaser in respect of the disposal of the Sale Property mentioned in sub-paragraph (a) above;

(c) the agreement dated 24 June 2008 entered into between Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, and Ng Kwai Tung for the sale and purchase of the entire issued share capital of Trump Elegant Investment Limited for the consideration of HK$8.3 million with completion taken place on 1 September 2008;

(d) the 11 agreements for the sale and purchase entered into between Trump Elegant Investment Limited, a wholly-owned subsidiary of the Company, and each of the property vendors in relation to the sale and purchase of the properties at Flats 1, 2 and 4 on the Ground Floor, Flats 1, 2, 3 and 4 on the First Floor and Flats 1, 2, 3 and 4 on the Second Floor of Nos. 313, 313A, 313B & 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong (Section B of Kowloon Inland Lot No. 1685); and

(e) the Undertaking.

Save as disclosed, none of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the Latest Practicable Date that are or may be material.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given its opinion or advice which is contained in this circular:

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu do not have any direct or indirect interests in any assets which have been, since 31 March 2008 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Deloitte Touche Tohmatsu have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter and the references to their name in the form and context in which they appear.

11. GENERAL

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

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

(c) The head office and principal place of business of the Company in Hong Kong is at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong

(d) The English text of this circular prevails over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

(b) the Underwriting Agreement;

(c) the Undertaking;

(d) the letter of consent referred to in the paragraph headed "Expert and consent" above;

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

(f) the annual reports of the Company for each of the two years ended 31 March 2008;

(g) the annual reports of Easyknit Enterprises for each of the two years ended 31 March 2008;

(h) the interim report of Easyknit Enterprises for the six months ended 30 September 2008;

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

(j) the circular in relation to the discloseable transactions dated 10 July 2008; and

(k) the circular in relation to a major and discloseable transaction dated 8 August 2008 in respect of a proposed acquisition of the entire issued share capital of Trump Elegant Investment Limited (the proposed acquirer of the properties) and loan to Trump Elegant Investment Limited.

Easyknit International Holdings Limited

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1218)

NOTICE IS HEREBY GIVEN that a special general meeting of Easyknit International Holdings Limited (the "Company") will be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 24 December 2008 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:-

ORDINARY RESOLUTION

"**THAT** the undertaking dated 5 November 2008 ("Undertaking"), a copy of which has been produced to this meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) executed by Landmark Profits Limited ("Landmark Profits", a wholly-owned subsidiary of the Company) in favour of Easyknit Enterprises Holdings Limited ("EE") and Get Nice Securities Limited in relation to the allotment and issue of 667,499,000 new shares ("EE Rights Shares") under an offer by way of rights to holders of shares in EE at HK$0.15 per Rights Share in the proportion of ten EE Rights Shares for every share in EE held ("EE Rights Issue") pursuant to which Landmark Profits has conditionally undertaken, inter alia, that the shares in EE held by it on the date of the Undertaking will remain registered in its name as at 4:00 p.m. on the record date of the EE Rights Issue and that the EE Rights Shares to be provisionally allotted to Landmark Profits in respect of such shares in EE (representing 211,627,870 EE Rights Shares) will be taken up and paid for in full by Landmark Profits be and is hereby confirmed, approved and ratified and the directors of the Company be and are hereby authorised 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 Undertaking or any of the transactions contemplated thereunder."

By order of the Board of
EASYKNIT INTERNATIONAL HOLDINGS LIMITED
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

Hong Kong, 8 December 2008

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting of the Company shall be 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 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 48 hours before the time for holding the meeting or the adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

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

5. Where there are joint registered holders of any share, any one of such persons may vote at 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 meeting is enclosed.

* *For identification purpose only*