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.

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

(incorporated in Bermuda with limited liability)

(Stock Code: 1218)

(1) VERY SUBSTANTIAL DISPOSAL
PROPOSED DISPOSAL OF GARMENT TRADING BUSINESS
AND
(2) PROPOSED SHARE CONSOLIDATION

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, 17 February 2010 at 9:00 a.m. is set out on pages N1 to N3 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 Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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, 29 January 2010

CONTENTS

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

"Announcement"	the joint announcement of the Company and Easyknit Enterprises dated 8 December 2009 relating to the Transaction and the Share Consolidation
"associate(s)"	the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company" or "Easyknit International"	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Companies Act"	The Companies Act 1981 of Bermuda (as amended)
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Consolidated Share(s)"	share(s) of HK$0.10 each in the share capital of Easyknit International after the Share Consolidation becomes effective
"Director(s)"	director(s) of the Company
"Easyknit Enterprises" or "EE"	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Easyknit Global"	Easyknit Global Company Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of Easyknit International
"Easyknit Worldwide"	Easyknit Worldwide Company Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of Easyknit International
"EE Shareholder(s)"	holder(s) of EE Share(s)
"EE Share(s)"	share(s) of HK$0.01 each in the share capital of the Easyknit Enterprises

"Grand Profit"	Grand Profit Development Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of Easyknit International
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"independent third party(ies)"	party(ies) independent of and not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or their respective associates
"Independent Valuer"	BMI Appraisals Limited, the independent valuer performing the valuation of the Target Companies
"Last Trading Day"	3 December 2009, being the last trading day before the suspension of trading in the Shares, pending the release of the Announcement
"Latest Practicable Date"	26 January 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Purchaser"	Quick Easy Limited, a company incorporated with limited liability under the laws of British Virgin Islands and a wholly-owned subsidiary of Easyknit Enterprises
"Remaining Group"	the Group immediately after completion of the Transaction
"Sale and Purchase Agreement"	the sale and purchase agreement dated 3 December 2009 entered into between the Vendor and the Purchaser
"Sale Shares"	2 shares of HK$1 each in the issued share capital of Easyknit Global, 2 shares of HK$1 each in the issued share capital of Easyknit Worldwide and 2 shares of HK$1 each in the issued share capital of Grand Profit, together representing the entire issued share capital of each of Easyknit Global, Easyknit Worldwide and Grand Profit

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of Easyknit International at which resolutions will be proposed to consider and, if thought fit, approve the Transaction and the Share Consolidation amongst other things
"Share Consolidation"	the consolidation of every ten (10) issued and unissued Shares into one (1) Consolidated Share
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	the meaning ascribed thereto in the Listing Rules
"Target Companies"	collectively, Easyknit Global, Easyknit Worldwide and Grand Profit
"Transaction"	the acquisition by the Purchaser, and the sale by (or procured by) the Vendor, of the Sale Shares pursuant to the Sale and Purchase Agreement
"US"	the United States of America
"Vendor"	Easyknit Properties Holdings Limited, a company incorporated with limited liability under the laws of the British Virgin Islands and a wholly-owned subsidiary of Easyknit International
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%" or "per cent."	percentage or per centum

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Share Consolidation.

	2010
Latest time for return of proxy form of SGM (not less than 48 hours before the SGM)	9:00 a.m., Monday, 15 February
Expected date and time of SGM	9:00 a.m., Wednesday, 17 February
Effective date of the Share Consolidation	Thursday, 18 February
Commencement of dealings in Consolidated Shares	Thursday, 18 February
Original counter for trading in Shares (in board lots of 5,000 Shares) to be closed	9:30 a.m., Thursday, 18 February
Temporary counter for trading in Consolidated Shares in board lots of 500 Consolidated Shares (in form of existing share certificates) to be opened	9:30 a.m., Thursday, 18 February
Free exchange of existing share certificates for new share certificates commences	Thursday, 18 February
Original counter for trading in Consolidated Shares (in board lots of 1,000 Consolidated Shares) to be re-opened	9:30 a.m., Thursday, 4 March
Parallel trading in Consolidated Shares (in form of new and existing certificates) begins	9:30 a.m., Thursday, 4 March
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares	Thursday, 4 March
Temporary counter for trading in Consolidated Shares in board lots of 500 Consolidated Shares (in form of existing share certificates) to be closed	4:00 p.m., Wednesday, 24 March
Parallel trading in Consolidated Shares (in form of new and existing certificates) ends	4:00 p.m., Wednesday, 24 March

	2010
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares	4:00 p.m., Wednesday, 24 March
Free exchange of existing share certificates for new share certificates ends	Tuesday, 30 March

Dates and times specified in the above timetable are Hong Kong dates and times. The above timetable is indicative only and may be varied by the Company. Further announcement will be made by the Company on any consequential changes to the expected timetable as and when necessary and appropriate.

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 *(Vice President)*

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

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

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

29 January 2010

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL PROPOSED DISPOSAL OF GARMENT TRADING BUSINESS AND (2) PROPOSED SHARE CONSOLIDATION

On 8 December 2009, the boards of directors of Easyknit International and Easyknit Enterprises (a 31.7%-owned associate of Easyknit International) jointly announced that on 3 December 2009, Quick Easy Limited (a wholly-owned subsidiary of Easyknit Enterprises) as the Purchaser, and Easyknit Properties Holdings Limited (a wholly-owned subsidiary of the Company) as the Vendor, entered into the conditional Sale and Purchase Agreement in respect of the Transaction.

* *For identification only*

The Transaction constitutes a very substantial disposal for the Company as one or more of the applicable percentage ratios of the Transaction exceed 75% for Easyknit International. Accordingly, the Transaction is subject to the reporting and announcement requirements of the Listing Rules for Easyknit International, and approval of the Shareholders at the SGM.

On 8 December 2009, the Board also proposed to put forward for approval by the Shareholders the Share Consolidation on the basis that every ten (10) issued and unissued Shares will be consolidated into one (1) Consolidated Share of HK$0.10 each. As at the Latest Practicable Date, the authorised share capital of the Company was HK$1,000,000,000 comprising 100,000,000,000 Shares of HK$0.01 each, of which 794,204,030 Shares have been issued and are fully paid. The Share Consolidation is conditional upon, inter alia, the approval of the Shareholders at the SGM .

The purpose of this circular is to provide you with further information relating to the Transaction and the Share Consolidation and the notice of the SGM.

THE SALE AND PURCHASE AGREEMENT

Date

3 December 2009

Parties

(1) Vendor: Easyknit Properties Holdings Limited

(2) Purchaser: Quick Easy Limited

As at the date of the Sale and Purchase Agreement, the Vendor was beneficially interested in the entire issued share capital of each of Easyknit Global, Easyknit Worldwide and Grand Profit. The Vendor is incorporated in the British Virgin Islands, and is a wholly-owned subsidiary of Easyknit International and its principal activity is investment holding. The Purchaser is incorporated in the British Virgin Islands, and is a wholly-owned subsidiary of Easyknit Enterprises (a 31.7%-owned associate of the Company) and its principal activity is investment holding.

Subject matter of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, or procure the sale of, the Sale Shares, representing the entire issued share capital of each of Easyknit Global, Easyknit Worldwide and Grand Profit (which carry on garment trading businesses).

Consideration

The aggregate consideration payable by the Purchaser to the Vendor for the Sale Shares under the Sale and Purchase Agreement is HK$80 million. The consideration for the Transaction was determined and agreed between the parties after arm's length negotiations, taking into account the valuation of the Target Companies as at 31 October 2009 as reported by the Independent Valuer, which amounted to HK$89.6 million, and the prevailing conditions of the garment trading market. The Independent Valuer's valuation of the Target Companies was carried out on the basis of market value, which is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Pursuant to the Sale and Purchase Agreement, the consideration for the Transaction has been paid/will be payable in accordance with the following schedule:

(i) a deposit of HK$30 million has been paid upon signing of the Sale and Purchase Agreement; and

(ii) the remaining balance of HK$50 million is payable upon the completion of the Transaction.

Conditions precedent

Completion of the Transaction is conditional upon:

(i) the satisfaction of the Purchaser with its due diligence review of the legal and financial affairs of the Target Companies;

(ii) the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder, by the EE Shareholders (other than those who are required by the Listing Rules to abstain from voting) as required under the Listing Rules having been obtained; and

(iii) the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder, by the Shareholders (other than those who are required by the Listing Rules to abstain from voting) as required under the Listing Rules having been obtained.

If the above conditions have not been fulfilled (or, in the case of (i) above, waived by the Purchaser) on or before 1 March 2010 (or such other date as may be agreed between the Vendor and the Purchaser), and either the Vendor or the Purchaser gives notice to terminate the Sale and Purchase Agreement, the Sale and Purchase Agreement shall terminate and the Vendor shall refund the deposit in full without interest to the Purchaser within five Business Days following the day of termination notice.

Completion

Completion of the Transaction is to take place at 4:30 p.m. on the third Business Day after the above conditions precedent have been fulfilled (or, where applicable, waived).

Upon completion of the Transaction, Easyknit Global, Easyknit Worldwide and Grand Profit will cease to be subsidiaries of Easyknit International. The interest of the Company in the Target Companies following completion of the Transaction will be held only through its 31.7% equity interest in Easyknit Enterprises.

INFORMATION ON THE TARGET COMPANIES

Easyknit Global

Easyknit Global is a company incorporated in Hong Kong and has been an indirectly wholly-owned subsidiary of the Company since its incorporation. The issued and paid up capital of Easyknit Global is HK$2 divided into 2 shares of HK$1 each. Its principal activity is garment trading.

The table below sets out the profit before and after taxation of Easyknit Global based on its audited financial information prepared in accordance with HKFRS for the two years ended 31 March 2008 and 2009 and the six months ended 30 September 2009.

	Year ended 31 March 2008	**Year ended 31 March 2009**	**Six months ended 30 September 2009**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	12,729	9,684	6,608
Profit after taxation	12,729	9,684	6,608

Easyknit Global had net liabilities of approximately HK$70,530,000 as at 30 September 2009 based on its audited financial information for the six months ended 30 September 2009. The net liabilities position of Easyknit Global is mainly attributable to the amount due to Easyknit International, its ultimate holding company. Easyknit International will eliminate this liability before completion of the Transaction.

Easyknit Worldwide

Easyknit Worldwide is a company incorporated in Hong Kong and has been an indirectly wholly-owned subsidiary of the Company since its incorporation. The issued and paid up capital of Easyknit Worldwide is HK$2 divided into 2 shares of HK$1 each. Its principal activity is garment trading.

The table below sets out the profit/(loss) before and after taxation of Easyknit Worldwide based on its audited financial information prepared in accordance with HKFRS for the two years ended 31 March 2008 and 2009 and the six months ended 30 September 2009.

	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2009
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before taxation	820	(120)	(14)
Profit/(loss) after taxation	820	(120)	(14)

Easyknit Worldwide had net liabilities of approximately HK$34,209,000 as at 30 September 2009 based on its audited financial information for the six months ended 30 September 2009. The net liabilities position of Easyknit Worldwide is mainly attributable to the amount due to Easyknit International, its ultimate holding company. Easyknit International will eliminate this liability before completion of the Transaction.

Grand Profit

Grand Profit is a company incorporated in Hong Kong and has been an indirectly wholly-owned subsidiary of the Company since its incorporation. The issued and paid up capital of Grand Profit is HK$2 divided into 2 shares of HK$1 each. Its principal activity is garment trading.

The table below sets out the profit before and after taxation of Grand Profit based on its audited financial information prepared in accordance with HKFRS for the two years ended 31 March 2008 and 2009 and the six months ended 30 September 2009.

	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2009
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	1,849	1,094	152
Profit after taxation	1,849	1,094	152

Grand Profit had net liabilities of approximately HK$67,209,000 as at 30 September 2009 based on its audited financial information for the six months ended 30 September 2009. The net liabilities position of Grand Profit is mainly attributable to the amount due to Easyknit International, its ultimate holding company. Easyknit International will eliminate this liability before completion of the Transaction.

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

During the six months ended 30 September 2009, the Group was principally engaged in sourcing and exporting cotton-based knitted garments for infants, children and women, property investment and development, investment in securities and loan financing.

Garment Sourcing and Exporting

During the six months ended 30 September 2009, the turnover for the Group's major business in garment sourcing and exporting reached approximately HK$226,638,000 (six months ended 30 September 2008: approximately HK$200,927,000), representing an increase of approximately 12.8% over the corresponding period in the previous year. This constituted approximately 93.8% of the Group's total turnover (six months ended 30 September 2008: approximately 92.6%). Profit gained from this segment was maintained at approximately HK$6,630,000 (six months ended 30 September 2008: approximately HK$6,576,000). The product mix of infants wear and ladies wear changed from 42:39 for the six months ended 30 September 2008 to 39:30 for the corresponding period in 2009.

Property Investment and Development

During the six months ended 30 September 2009, the property investment and development segments contributed approximately HK$14,897,000 or 6.2% (six months ended 30 September 2008: approximately HK$15,960,000 or 7.4%) to the Group's total turnover. A gain of approximately HK$72,851,000 in these segments was recorded (six months ended 30 September 2008: loss of approximately HK$3,208,000) due to the gain arising on changes in fair value of investment properties of approximately HK$59,103,000. Rental income from properties (which are all located in Hong Kong) increased approximately 8.2% to approximately HK$14,746,000 (six months ended 30 September 2008: approximately HK$13,626,000). As at 30 September 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 87%. The building management fee income for this period was approximately HK$151,000 (six months ended 30 September 2008: approximately HK$146,000).

The Group completed the acquisition of 11 out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) ("Prince Edward Road Building") in October 2008. During the six months ended 30 September 2009, the Group acquired the remaining one unit of the Prince Edward Road Building at a consideration of HK$9,500,000 and became the owner of the whole building. The Group intends to re-develop this building.

The Company announced on 15 July 2009 that its wholly-owned subsidiary had accepted an offer from the Urban Renewal Authority to purchase the Group's property located at G/F, No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK$47,113,000 plus an allowance of HK$4,711,000. As the said disposal of property constituted a major transaction of the Company under the Listing Rules, approval of Shareholders was obtained at a special general meeting of the Company held on 3 September 2009. Completion took place on 5 October 2009.

Geographical Analysis of Turnover

The United States continued to be the major export market and contributed 88.4% to the Group's total turnover (six months ended 30 September 2008: approximately 84.5%). Besides the United States, Hong Kong and Europe contributed 6.2% and 5.4% respectively to the Group's total turnover.

Prospects

Garment Sourcing and Exporting

On 8 December 2009, the Company announced the Transaction, which is a disposal of its garment trading business to streamline the business activities of the Group. Upon completion of the Transaction, the Group will focus mainly on property investment and development business.

Property Investment and Development

The property investment market in Hong Kong recovered quickly after the global economic tsunami. According to the statistics from the Land Registry, the total number of agreements for sale and purchase of all types of building units received for registration in June 2009 was 15,747, reaching a two-year high. This was a 32% growth compared with June 2008. Being the backdoor of the People's Republic of China, Hong Kong remains attractive to property investors. Eyeing the future growth of the property market in Hong Kong, the Group is confident about the re-development potential of projects on hand.

In October 2009, the Group completed the purchase of all the 6 units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) through the acquisition of the entire issued share capital of Kingbest Capital Holdings Limited. The building is adjacent to its Prince Edward Road Building. The Board intends that both buildings will be redeveloped together.

On 14 October 2009, the Group entered into two separate conditional sale and purchase agreements with Ms. Lui Yuk Chu, the Vice President and an executive Director of the Company, to acquire three investment properties in Singapore and seven investment properties in Hong Kong at an aggregate consideration of HK$227,470,000. The acquisitions constituted a very substantial acquisition and connected transaction of the Company, which was approved by the Shareholders at a special general meeting on 21 December 2009. Details of the acquisitions were set out in the Company's circular dated 4 December 2009. The Board considers that the acquisitions enable the Group to expand its property investment portfolio and provide the Group with further potential income from property investment. The Board intends to fund the acquisition of the properties from internally generated funds.

REASON FOR AND BENEFIT OF THE TRANSACTION

The Target Companies carry out the garment trading business of the Group.

The Company is an investment holding company and its subsidiaries are principally engaged in the sourcing and exporting of cotton-based knitted garments for infants, children and women, property investments and development, investment in securities and loan financing. From the end of its last reported financial period to the Latest Practicable Date, there were no significant changes in the Group's principal activities.

Considering the improvement in the property markets in Hong Kong and Singapore in the past months, the Directors maintain a positive attitude towards the property market and intend to rationalise the Group's business to focus on property investment and development due to its potentially higher expected return than the garment trading business. During the six months ended 30 September 2009, the Group announced several acquisitions in relation to its property investment and development business, including the acquisition of a company named as the purchaser of a building in Hong Kong as announced on 17 July 2009, and the acquisition of several Hong Kong and Singapore properties as announced on 16 October 2009. Moving forward, the Group will continue to look for property investment opportunities with high potential returns.

Upon the completion of the Transaction, the Group will retain its garment distribution business in the United States. This part of the garment business is not included as part of the Transaction as it has been making losses since the commencement of business in 2001. The Group is currently considering various options regarding this part of the business. As at the Latest Practicable Date, the Group did not have any concrete plans for, and had not made any arrangements or entered into any agreements in relation to, the remaining garment distribution business in the United States.

The consideration for the Transaction is HK$80 million, representing an approximately 11% discount to the valuation of HK$89.6 million as appraised by the Independent Valuer. The Directors are of the view that the about 11% discount offered to the Purchaser is reasonable considering the fact that the consideration will be in cash and that proceeds from the Transaction will immediately provide the Group with financial resources for further property investment and development when suitable opportunities arise, and the disposal will allow the Group's management to focus on its property investment and development business. Based on the aforesaid, the Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreement is fair and reasonable and on normal commercial terms and that the Transaction is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTION

Easyknit Global, Easyknit Worldwide and Grand Profit will cease to be subsidiaries of the Company following the completion of the Transaction. Interest of the Company in the Target Companies following completion of the Transaction will be held only through its 31.7% equity interest in Easyknit Enterprises. Therefore, the financial results and the assets and liabilities of the Target Companies will no longer be consolidated into the consolidated financial statements of the Company.

According to the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix II to this circular, assuming the Transaction had taken place on 30 September 2009, the estimated gain for the Remaining Group as a result of the Transaction would amount to HK$48,432,000, which was calculated based on the net proceeds of the Transaction of approximately HK$76,000,000, after taking into account the estimated professional fees and expenses of approximately HK$4,000,000, and the adjusted total net assets of the Target Companies of approximately HK$27,568,000. The adjusted total net asset of the Target Companies was calculated by the total net liabilities of the Target Companies as at 30 September 2009 amounting to HK$171,948,000, adjusted for the elimination of the total receivables due from the Target Companies as at 30 September 2009 amounting to approximately HK$199,516,000. According to the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix II to this circular, assuming the Transaction had taken place on 1 April 2009, upon completion of the Transaction, the total comprehensive income of the Remaining Group attributable to the Shareholders for the six months ended 30 September 2009 will increase from approximately HK$116.4 million to approximately HK$121.2 million.

According to the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix II to this circular, assuming the Transaction had taken place on 30 September 2009, the net assets of the Remaining Group will increase from approximately HK$1,481.5 million to approximately HK$1,514.6 million.

USE OF PROCEEDS

The proceeds of the Transaction are intended to be used for general working capital and to fund possible future property investments of the Group. As one of its major remaining business activities after the completion of the Transaction, the Board intends to continue to look for property investment and development opportunities. As at the Latest Practicable Date, no concrete new property investment or development opportunities had been identified and there were no agreements or arrangements reached in relation to any such opportunities.

LISTING RULES IMPLICATIONS

The Transaction constitutes a very substantial disposal for the Company as one or more of the applicable percentage ratios of the Transaction exceed 75% for the Company. Accordingly, the Transaction is subject to the reporting and announcement requirements of the Listing Rules for Easyknit International, and approval of the Shareholders at the SGM.

PROPOSED SHARE CONSOLIDATION

The Board also proposes to put forward for approval by the Shareholders the Share Consolidation on the basis that every ten (10) issued and unissued Shares will be consolidated into one (1) Consolidated Share of HK$0.10 each. Fractions of Consolidated Shares, if any, arising from and upon the Share Consolidation to which the Shareholders are otherwise entitled will not be issued to them, but will be aggregated and sold (if possible) for the benefit of the Company.

Currently, the Shares are traded on the Stock Exchange in board lot size of 5,000 Shares. It is proposed that the Consolidated Shares will be traded in board lots of 1,000 Consolidated Shares upon the Share Consolidation becoming effective.

Effects of the Share Consolidation

The following table shows the effects of the Share Consolidation on the share capital of the Company on the basis of the existing issued share capital of the Company and assuming no issue of new Shares or repurchase of Shares from the Latest Practicable Date up to the date on which the Share Consolidation becomes effective:

Authorised share capital

100,000,000,000	Shares with a par value of HK$0.01 each as at the Latest Practicable Date	HK$1,000,000,000
10,000,000,000	Consolidated Shares with a par value of HK$0.10 each after the Share Consolidation becomes effective	HK$1,000,000,000

Issued share capital (paid up or credited as fully paid up)

794,204,030	Shares with a par value of HK$0.01 each as at the Latest Practicable Date	HK$7,942,040.30
79,420,403	Consolidated Shares with a par value of HK$0.10 each after the Share Consolidation becomes effective	HK$7,942,040.30

The issued Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders including as to dividends, voting and return of capital. Other than the expenses incurred, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole.

Reasons for the Share Consolidation and change in board lot size

The Board believes that the Share Consolidation is beneficial to the Company and the Shareholders as a whole. The Share Consolidation will reduce the number of Shares in the market. The existing Shares are presently traded in board lots of 5,000 Shares. It is proposed that the Consolidated Shares will be traded in board lots of 1,000 Consolidated Shares. Accordingly, the market price of the Shares will increase by 10 times theoretically upon the Share Consolidation becoming effective. Based on the closing price quoted on the Stock Exchange on the Last Trading Day of HK$0.28 per Share, the value per board lot of 5,000 Shares and 1,000 Consolidated Shares are HK$1,400 and HK$2,800 respectively. The transaction cost per dollar value of each Consolidated Share will therefore be lower.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

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

(b) the compliance with the relevant legal procedures and requirements under the Companies Act to effect the Share Consolidation; and

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

Expected effective date of the Share Consolidation

Subject to the above conditions being fulfilled, the Share Consolidation is expected to become effective on Thursday, 18 February 2010.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consolidated Shares in issue after the Share Consolidation becomes effective.

Arrangement for odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, Kingston Securities Limited has been appointed as an agent to provide matching services, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up full board lots, or to dispose of their holdings of odd lots of Consolidated Shares.

The appointed matching agent, Kingston Securities Limited, is an independent third party. Shareholders who wish to utilise the service should contact Ms. Rosita Kiu from Kingston Securities Limited at (852) 2298 6215 or at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour Street Central, Hong Kong, during the period from 9:30 a.m. on Thursday, 4 March 2010 to 4:00 p.m. on Wednesday, 24 March 2010, both days inclusive. Holders of Consolidated Shares in odd lots should note that successful matching of the sale and purchase of odd lots of Consolidated Shares will not be guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt about the above arrangement.

Free exchange of the Share certificates and trading arrangements

Subject to the Share Consolidation becoming effective, dealings in the Consolidated Shares are expected to commence on Thursday, 18 February 2010. Parallel trading arrangements will be operated from 9:30 a.m. on Thursday, 4 March 2010 to 4:00 p.m. on Wednesday, 24 March 2010 (both days inclusive).

Upon the Share Consolidation becoming effective, the arrangements proposed for dealings in the Consolidated Shares are expected to be as follows:

(i) From 9:30 a.m. on Thursday, 18 February 2010, the existing counter for trading in the Shares in board lots of 5,000 Shares will be temporarily closed. A temporary counter will be established for trading in the Consolidated Shares in board lots of 500 Consolidated Shares. Share certificates for the Consolidated Shares in the form of existing share certificates of the Shares may only be traded at the temporary counter.

(ii) With effect from 9:30 a.m. on Thursday, 4 March 2010, the existing counter will be re-opened for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares. Only the new share certificates for the Consolidated Shares may be traded at the existing counter.

(iii) From 9:30 a.m. on Thursday, 4 March 2010 to 4:00 p.m. on Wednesday, 24 March 2010, both days inclusive, parallel trading will be permitted at the two counters mentioned in paragraphs (i) and (ii) above.

(iv) The temporary counter for trading in the Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates for the Shares) will be removed after the close of trading at 4:00 p.m. on Wednesday, 24 March 2010.

(v) With effect from 9:30 a.m. on Thursday, 25 March 2010, trading of Consolidated Shares will only be carried out in the original counter in board lots of 1,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares).

The existing share certificates for the Shares will only be valid for delivery, trading and settlement purposes for the period up to Wednesday, 24 March 2010 and thereafter will not be accepted for delivery, trading and settlement purposes. Shareholders may, during the period from Thursday, 18 February 2010 to Tuesday, 30 March 2010 submit their share certificates for the Shares to the

Company's share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, share certificates for the Consolidated Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate issued or cancelled, whichever is higher, payable by the Shareholders.

Nevertheless, share certificates for the Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at any time. It is expected that new share certificates for the Consolidated Shares will be available for collection within 10 Business Days from the date of submission of the share certificates for the Shares to Company's share registrar in Hong Kong, Tricor Secretaries Limited at the address stated above, for exchange. The existing share certificates for the Shares are green in colour and the new share certificates for the Consolidated Shares will be blue in colour so as to distinguish them from the certificates for existing Shares.

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, 17 February 2010 for the purpose of considering and, if thought fit, approving the Transaction and the Share Consolidation is set out on pages N-1 to N-3 of this circular.

To the best knowledge of the Directors, no Shareholders have a material interest in the Share Consolidation and the Transaction different to that of any other Shareholders and accordingly, no Shareholders will have to abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not Shareholders are able to attend the SGM, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment of it, if they so wish.

GENERAL

None of the securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal in is being or is proposed to be sought. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

RECOMMENDATION

The Directors are of the opinion that the Transaction and the Share Consolidation are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolutions as set out in the notice of the SGM.

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

1. ACCOUNTANTS' REPORT OF THE GROUP

Deloitte.
德勤

德勤‧關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

29 January 2010

The Directors
Easyknit International Holdings Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding Easyknit International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2009 and the six months ended 30 September 2009 (the "Relevant Periods"), for inclusion in the circular issued by the Company dated 29 January 2010 ("Circular") in connection with the proposed disposal of the entire issued share capital of Easyknit Global Company Limited ("Easyknit Global"), Easyknit Worldwide Company Limited ("Easyknit Worldwide") and Grand Profit Development Limited ("Grand Profit"), all of which are wholly-owned subsidiaries of the Company, to Quick Easy Limited (the "Purchaser") pursuant to the conditional agreement dated 3 December 2009 entered into between Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, and the Purchaser. The Purchaser is a wholly-owned subsidiary of Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), the associate of the Group and a company incorporated in Bermuda with its shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in Bermuda under The Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liabilities and its shares are listed on the Main Board of the Stock Exchange. Its principal activity is investment holding.

The particulars of the Company's subsidiaries during the Relevant Periods and at the date of this report are as follows:

			Proportion of nominal value of issued share capital held by the Group					
			As at 31 March			As at 30 September	As at date of report	
Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	2007	2008	2009	2009		Principal activities
			%	%	%	%	%	
Cheong Ko Investment Company Limited	Hong Kong 22 April 1981	Ordinary shares, HK$2 Non-voting preferred shares, HK$10,000 (Note)	100	100	100	100	—	Formerly property holding and was de-registered on 23 October 2009

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Group: As at 31 March 2007	2008	2009	As at 30 September 2009	As at date of report	Principal activities
			%	%	%	%	%	
Easyknit BVI Limited	British Virgin Islands ("BVI") 20 May 1994	Ordinary shares, US$100	100	100	100	100	100	Investment holding
Easyknit Global (formerly known as "Easyknit Trading Company Limited" and "Perfect Luck Development Limited")	Hong Kong 11 December 1996	Ordinary shares, HK$2	100	100	100	100	100	Trading of garments
Easyknit International Limited	BVI 16 January 1996	Ordinary share, US$1	100	100	100	100	100	Investment holding
Easyknit Properties Holdings Limited	BVI 18 January 1996	Ordinary shares, US$1,000	100	100	100	100	100	Investment holding
Easyknit Properties Management Limited	Hong Kong 2 June 1994	Ordinary shares, HK$10,000	100	100	100	100	100	Property management
Easyknit USA Inc. ("Easyknit USA")	United States of America ("USA") 19 April 1995	Ordinary shares, US$10	100	100	100	100	100	Inactive
Easyknit Worldwide (formerly known as "Easyknit International Trading Company Limited" and "Grand Modern Investment Limited")	Hong Kong 19 February 1997	Ordinary shares, HK$2	100	100	100	100	100	Trading of garments
Golden Top Properties Limited	Hong Kong 30 January 1996	Ordinary shares, HK$2	100	100	100	100	100	Property holding
Grand Modern Investment Limited (formerly known as "Easyknit International Trading Company Limited")	Hong Kong 23 May 1995	Ordinary shares, HK$2	100	100	—	—	—	Formerly trading of garments and was disposed of on 21 February 2009
Grand Profit	Hong Kong 11 July 1997	Ordinary shares, HK$2	100	100	100	100	100	Trading of garments
Happy Light Investments Limited	BVI 21 March 2006	Ordinary share, US$1	100	100	100	100	100	Property development
Janson Properties Limited	Hong Kong 30 January 1996	Ordinary shares, HK$2	100	100	100	100	100	Property holding
Landmark Profits Limited	BVI 8 January 2003	Ordinary share, US$1	100	100	100	100	100	Investment holding

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Group — As at 31 March 2007	2008	2009	As at 30 September 2009	As at date of report	Principal activities
			%	%	%	%	%	
Mark Profit Development Limited	Hong Kong 18 June 1997	Ordinary shares, HK$2	100	100	100	100	100	Property and investment holding
Mary Mac Apparel Inc. ("Mary Mac")	USA 11 January 2001	Common stock, US$7,738,667	100	100	100	100	100	Garment distribution
More Rich Enterprises Limited	BVI 10 April 2008	Ordinary share, US$1	N/A	N/A	100	100	—	Inactive and was de-registered on 1 November 2009
Namber Developments Limited	BVI 2 January 1996	Ordinary share, US$1	100	100	100	100	100	Investment holding
Perfect Luck Development Limited (formerly known as "Easyknit Trading Company Limited")	Hong Kong 27 December 1996	Ordinary shares, HK$2	100	100	—	—	—	Formerly trading of garments and was disposed of on 21 February 2009
Planetic International Limited	Hong Kong 15 August 1997	Ordinary shares, HK$2	100	100	100	100	100	Finance company
Tomorrow International Investment Limited	Hong Kong 19 November 2007	Ordinary share, HK$1	N/A	100	100	100	100	Inactive
Topstar Asia Limited	BVI 2 January 2002	Ordinary shares, HK$2	100	100	100	100	100	Inactive
Trump Elegant Investment Limited	Hong Kong 24 April 2008	Ordinary share, US$1	N/A	N/A	100	100	100	Property development
Victor Investment Limited	Hong Kong 10 February 1999	Ordinary shares, HK$1,001	100	100	100	100	—	Inactive and was de-registered on 23 October 2009
Wellmake Investments Limited	Hong Kong 6 July 1993	Ordinary shares, HK$9,998 Non-voting deferred shares, HK$2 (Note)	100	100	100	100	100	Property holding

Note: 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.

Except for Easyknit BVI Limited, Easyknit International Limited, Easyknit Properties Holdings Limited and Landmark Profits Limited, which are directly held by the Company, all other subsidiaries listed above are indirectly held by the Company.

No statutory audited financial statements have been prepared for those companies incorporated in the BVI and USA as there are no statutory audit requirements.

We have acted as auditor of the Company and the subsidiaries incorporated in Hong Kong for the Relevant Periods. Audited consolidated financial statements of the Company for the Relevant Periods have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have examined the audited consolidated financial statements of the Company ("Underlying Financial Statements") for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards based on the Underlying Financial Statements. No adjustments to the Underlying Financial Statements have been made in preparing our report for inclusion in the Circular.

The directors of the Company are responsible for the Underlying Financial Statements and the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2007, 2008 and 2009 and 30 September 2009 and of the consolidated results and cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 September 2008 together with the notes thereon have been extracted from the Group's financial information for the same period (the "30 September 2008 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 September 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consists principally of making enquires of the group management and applying analytical procedures to the 30 September 2008 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 30 September 2008 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30 September 2008 Financial Information.

A. FINANCIAL INFORMATION

Consolidated statement of comprehensive income

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

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

Consolidated statement of financial position

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

Consolidated statement of changes in equity

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Translation reserve	Special reserve	Contributed surplus	Investment revaluation reserve	Property revaluation reserve	Share option reserve	Accumulated profits	Total
	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)
Impairment loss on available-for-sale investments	—	—	—	—	—	—	121,465	—	—	—	121,465
Released on disposal of available-for-sale investments	—	—	—	—	—	—	50,263	—	—	—	50,263
Share of translation reserve of associates	—	—	—	1,828	—	—	—	—	—	—	1,828
Revaluation of leasehold properties upon transfer to investment properties	—	—	—	—	—	—	—	2,521	—	—	2,521
Loss for the year	—	—	—	—	—	—	—	—	—	(115,597)	(115,597)
Total comprehensive income (expenses) for the year	—	—	—	1,828	—	—	163,440	2,521	—	(115,597)	52,192
Rights issue of shares at a price of HK$0.12 per rights share (see note 35(b))	66,184	13,237	—	—	—	—	—	—	—	—	79,421
Rights issue of shares at a price of HK$0.35 per rights share (see note 35(c))	5,956	202,522	—	—	—	—	—	—	—	—	208,478
Share issue expenses	—	(1,841)	—	—	—	—	—	—	—	—	(1,841)
Reduction of share capital upon capital reorganisation (see note 35(a))	(196,565)	—	196,565	—	—	—	—	—	—	—	—
Transfer the share option reserve to accumulated profits	—	—	—	—	—	—	—	—	(1,900)	1,900	—
At 31 March 2007	7,942	218,330	196,565	2,565	9,800	220,937	(28,190)	2,521	—	738,708	1,369,178
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(8,541)	—	—	—	(8,541)
Impairment loss on available-for-sale investments	—	—	—	—	—	—	33,163	—	—	—	33,163
Released on disposal of available-for-sale investments	—	—	—	—	—	—	7,594	—	—	—	7,594
Share of translation reserve of associates	—	—	—	3,799	—	—	—	—	—	—	3,799
Profit for the year	—	—	—	—	—	—	—	—	—	64,336	64,336
Total comprehensive income for the year	—	—	—	3,799	—	—	32,216	—	—	64,336	100,351
At 31 March 2008	7,942	218,330	196,565	6,364	9,800	220,937	4,026	2,521	—	803,044	1,469,529

	Attributable to owners of the Company										
	Share capital	**Share premium**	**Capital reserve**	**Translation reserve**	**Special reserve**	**Contributed surplus**	**Investment revaluation reserve**	**Property revaluation reserve**	**Share option reserve**	**Accumulated profits**	**Total**
	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	—	—	—	—	—	—	(32,385)	—	—	—	(32,385)
Impairment loss on available-for-sale investments	—	—	—	—	—	—	32,162	—	—	—	32,162
Released on disposal of available-for-sale investments	—	—	—	—	—	—	(3,803)	—	—	—	(3,803)
Share of translation reserve of associates	—	—	—	1,098	—	—	—	—	—	—	1,098
Exchange difference arising on translation of foreign operations	—	—	—	(33)	—	—	—	—	—	—	(33)
Loss for the year	—	—	—	—	—	—	—	—	—	(101,384)	(101,384)
Total comprehensive income (expenses) for the year	—	—	—	1,065	—	—	(4,026)	—	—	(101,384)	(104,345)
At 31 March 2009	7,942	218,330	196,565	7,429	9,800	220,937	—	2,521	—	701,660	1,365,184
Change in fair value of available-for-sale investments	—	—	—	—	—	—	30,771	—	—	—	30,771
Profit for the period	—	—	—	—	—	—	—	—	—	85,594	85,594
Total comprehensive income for the period	—	—	—	—	—	—	30,771	—	—	85,594	116,365
At 30 September 2009	7,942	218,330	196,565	7,429	9,800	220,937	30,771	2,521	—	787,254	1,481,549
Unaudited											
At 1 April 2008	7,942	218,330	196,565	6,364	9,800	220,937	4,026	2,521	—	803,044	1,469,529
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(22,922)	—	—	—	(22,922)
Impairment loss on available-for-sale investments	—	—	—	—	—	—	22,699	—	—	—	22,699
Released on disposal of available-for-sale investments	—	—	—	—	—	—	(3,803)	—	—	—	(3,803)
Share of translation reserve of associates	—	—	—	1,109	—	—	—	—	—	—	1,109
Exchange difference arising on translation of foreign operations	—	—	—	1	—	—	—	—	—	—	1
Loss for the period	—	—	—	—	—	—	—	—	—	(49,286)	(49,286)
Total comprehensive income (expenses) for the period	—	—	—	1,110	—	—	(4,026)	—	—	(49,286)	(52,202)
At 30 September 2008	7,942	218,330	196,565	7,474	9,800	220,937	—	2,521	—	753,758	1,417,327

Notes:

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

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

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

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

Consolidated statement of cash flows

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

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

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

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

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

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

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

2. **APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]

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

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2011.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 January 2010.

6 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKFRS 9 will affect the classification and measurement of financial assets, as well as the presentation of relevant information to users of financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Interests in associates

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

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Revenue recognition

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

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

Service income is recognised when services are rendered.

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

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

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

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

Borrowing costs

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

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

Property, plant and equipment

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

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

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

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

Investment properties

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

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

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

Properties held for development

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

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

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

Properties held for sale

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

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

Intangible assets

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

Impairment of intangible assets

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

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

Impairment (other than intangible assets)

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

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

Taxation

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

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

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

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

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

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

Retirement benefit scheme

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) **Impairment allowance on loans receivable**

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

(b) **Impairment loss on properties held for development**

Management review the recoverability of the Group's properties held for development amounting to HK$156,283,000, HK$178,587,000, HK$280,204,000 and HK$299,909,000 as at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively, with reference to current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets may exceed its net realisable value or recoverable amount, as appropriate. Appropriate write-down for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the net realisable value or recoverable amount is below cost. The estimates of net realisable value or recoverable amount are based on the evidence available at the time the estimates are made, and the amounts the properties held for development are expected to realise or recover. Actual realised amount or recoverable amount may differ from estimates, resulting in a decrease in the net realisable value or recoverable amount of these properties held for development and additional write-down may be required.

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

Note:

	As at 31 March			As at 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Difference between carrying amount and outstanding principal amount				
At fair value	—	—	24,045	—
Outstanding principal at the end of reporting period	—	—	(23,250)	—
	—	—	795	—

(b) **Financial risk management objectives and policies**

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

Market risk

(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk through the impact of the rate changes on variable-rate loans receivable as certain of the Group's loans receivable at 31 March 2007 and 2008 are at variable rates. The Group has reduced such risk by keeping all loans receivable at 31 March 2009 and 30 September 2009 at fixed rates (see note 28 for details of these loans). The management monitors interest rate exposure and will consider hedging interest rate risk should the need arise.

At 31 March 2007, 2008 and 2009 and 30 September 2009, the Group is also exposed to fair value interest rate risk in relation to fixed-rate loans receivable (see note 28 for details of these loans) and fixed-rate bank balances. The Group has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analysis below had been determined based on the exposure to interest rates for variable-rate loans receivable at 31 March 2007 and 2008. The analysis was prepared assuming the amount of variable-rate loans receivable outstanding at 31 March 2007 and 2008 was outstanding for the whole year. No sensitivity analysis has been prepared for the year ended 31 March 2009 and the six months ended 30 September 2009 as all loans receivable are at fixed interest rate.

If interest rates on variable-rate loans receivable had been 100 basis points higher/lower and all other variables were held constant, loss for the year ended 31 March 2007 would decrease/increase by HK$243,000 and profit for the year ended 31 March 2008 would increase/decrease by HK$74,000. This was mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable.

(ii) *Currency risk*

Certain subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currencies, which exposes the Group to foreign currency risk. Approximately 87%, 86%, 84% and 87% of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sales for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, respectively, whilst all of the Group's purchases are denominated in the group entities' functional currency during the Relevant Periods.

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

	Assets			
		As at 31 March		**As at 30 September**
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollars ("USD")	66,775	51,026	96,477	226,766
Euro	1,035	13,935	338	23
Renminbi ("RMB")	—	—	795	—

	Liabilities			
		As at 31 March		**As at 30 September**
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	407	1,973	192	352

Sensitivity analysis

The Group is mainly exposed to the exchange rate risk on HKD against USD and Euro for the foreign currency denominated monetary assets (other than structured deposit) and monetary liabilities.

The sensitivity analysis includes outstanding foreign currency denominated monetary items excluding structured deposit and adjusts their translation at the end of each reporting date for a 5% change in foreign currency rates. As HKD is pegged to USD, the financial impact on exchange difference between USD and HKD is expected to be immaterial and therefore excluded from the following analysis.

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

	HK$'000
For a 5% weakening of HKD against Euro	
Loss for the year ended 31 March 2007 would decrease by	43
Profit for the year ended 31 March 2008 would increase by	575
Loss for the year ended 31 March 2009 would decrease by	14
Profit for the six months ended 30 September 2009 would increase by	1

	HK$'000
For a 5% strengthening of HKD against Euro	
Loss for the year ended 31 March 2007 would increase by	43
Profit for the year ended 31 March 2008 would decrease by	575
Loss for the year ended 31 March 2009 would increase by	14
Profit for the six months ended 30 September 2009 would decrease by	1

At 31 March 2009, the Group is also exposed to the exchange rate risk on USD against RMB for the structured deposit as the return of which is determined with reference to the change in exchange rate between USD and RMB. A positive number indicates a decrease in loss for the year ended 31 March 2009 where USD weaken 5% against RMB. For a 5% strengthening of USD against RMB, there would be an equal and opposite impact in the loss for the year ended 31 March 2009 and the balances below would be negative.

	HK$'000
Loss for the year ended 31 March 2009 would decrease by	33

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise. In management's opinion, the sensitivity analysis is unrepresentative of the currency risk as the exposure at the end of each reporting period does not reflect the exposures during the Relevant Periods.

(iii) *Equity price risk*

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of each reporting period.

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

If the prices of the respective equity instruments had been 5% higher/lower, profit for the year ended 31 March 2008 would increase/decrease by HK$5,735,000 as a result of the changes in fair value of investments held for trading; and profit for the year ended 31 March 2008 would increase/decrease by HK$3,991,000 as a result of the changes in fair value of the available-for-sale investments.

If the prices of the respective equity instruments had been 10% higher/lower, loss for the year ended 31 March 2009 would decrease/increase by HK$7,801,000 as a result of the changes in fair value of investments held for trading; and loss for the year ended 31 March 2009 would decrease/increase by HK$3,389,000 as a result of the changes in fair value of the available-for-sale investments.

If the prices of the respective equity instruments had been 10% higher/lower, profit for the six months ended 30 September 2009 would increase/decrease by HK$5,934,000 as a result of the changes in fair value of investments held for trading and the investment revaluation reserve of the Group at 30 September 2009 would increase/decrease by HK$6,466,000 as a result of the changes in fair value of the available-for-sale investments.

The management adjusted the sensitivity rate from 5% to 10% during the year ended 31 March 2009 for assessing equity price risk after considering the impact of the volatile financial market conditions after the third quarter of 2008. In management's opinion, the sensitivity analysis is unrepresentative of the equity price risk as the exposure at the end of each reporting period does not reflect the exposures during the Relevant Periods.

Credit risk

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

2009 and 30 September 2009, respectively. The management considers that the credit risk of these trade receivables is minimal as all are with long business relationship. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts. In addition, the management has reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

The Group also has concentration of credit risk in relation to loans receivable from a few borrowers amounting to HK$48,380,000, HK$134,083,000, HK$86,068,000 and HK$77,110,000 at 31 March 2007, 2008 and 2009 and 30 September 2009, respectively. The largest borrower of the Group by itself and together with the other four largest borrowers of the Group accounted for (i) approximately 18.6% and 76.5% respectively of the Group's loans receivable at 31 March 2007; (ii) approximately 7.5% and 37.3% respectively of the Group's loans receivable at 31 March 2008; (iii) approximately 10.5% and 45.3% respectively of the Group's loans receivable at 31 March 2009; and (iv) approximately 12.3% and 47.5% respectively of the Group's loans receivable at 30 September 2009. At 31 March 2007, 2008 and 2009 and 30 September 2009, all loans receivable are neither past due nor impaired and the borrowers are assessed to have satisfactory credit quality. In order to minimise the credit risk, the management has reviewed the recoverable amounts of the loans receivable regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on loans receivable is significantly reduced.

In addition, the Group has concentration of credit risk in relation to the structured deposit due from a bank at 31 March 2009 and also has credit risk on its liquid funds at 31 March 2007, 2008 and 2009 and 30 September 2009. In the opinion of the directors of the Company, the credit risk on liquid funds and structured deposit is limited because majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

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

At 31 March 2007, 2008 and 2009 and 30 September 2009, the Group has available unutilised bank loan facilities of HK$110,352,000, HK$106,434,000, HK$25,317,000 and HK$28,367,000, respectively.

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

Liquidity risk tables

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts at the end of reporting date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 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
As at 31 March 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
As at 31 March 2009					
Non-derivative financial liabilities					
Trade and other payables	N/A	13,847	9,926	23,773	23,773
Bills payable	N/A	9,683	—	9,683	9,683
		23,530	9,926	33,456	33,456
As at 30 September 2009					
Non-derivative financial liabilities					
Trade and other payables	N/A	41,505	9,977	51,482	51,482
Bills payable	N/A	11,633	—	11,633	11,633
		53,138	9,977	63,115	63,115

(c) **Fair value**

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

- the fair value of financial assets (except for structured deposit) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of structured deposit is calculated using discounted cash flow analyses based on the applicable yield curves of relevant interest rates and exchange rates; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

7. TURNOVER

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

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

8. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The Group's primary reporting format was business segments and is currently organised into five main operating divisions - (i) garment sourcing and exporting, (ii) property investments, (iii) property development, (iv) investment in securities and (v) loan financing. The directors of the Company consider that the adoption of HKFRS 8 has not resulted in a redesignation of the reportable segments for the Group compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors of the Company, being the CODM of the Group. The executive directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the segment results of the operating segments (share of results of associates, gain on partial disposal of interests in associates, income tax expenses, finance costs, and corporate income and expenses).

(a) **Segment result**

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

For the year ended 31 March 2007

	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	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 sales are charged at prevailing market prices.

For the year ended 31 March 2008

	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 sales are charged at prevailing market prices.

For the year ended 31 March 2009

	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	427,428	28,452	2,188	—	—	—	458,068
Inter-segment	—	3,018	—	—	—	(3,018)	—
Total	427,428	31,470	2,188	—	—	(3,018)	458,068
Result							
Segment result	11,788	5,393	(26,185)	(83,176)	7,530	(3,506)	(88,156)
Unallocated corporate income							4,312
Unallocated corporate expenses							(8,432)
Gain on partial disposal of interests in associates							1,021
Share of results of associates							(15,044)
Finance costs							(91)
Loss before taxation							(106,390)
Taxation credit							5,006
Loss for the year							(101,384)

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

For the six months ended 30 September 2008 (unaudited)

	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	200,927	13,772	2,188	—	—	—	216,887
Inter-segment	—	1,509	—	—	—	(1,509)	—
Total	200,927	15,281	2,188	—	—	(1,509)	216,887
Result							
Segment result	6,576	(3,553)	345	(56,968)	3,288	(1,607)	(51,919)
Unallocated corporate income							2,736
Unallocated corporate expenses							(4,398)
Gain on partial disposal of interests in associates							1,021
Share of results of associates							(4,883)
Loss before taxation							(57,443)
Taxation credit							8,157
Loss for the period							(49,286)

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

For the six months ended 30 September 2009

	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	226,638	14,897	—	—	—	—	241,535
Inter-segment	—	1,509	—	—	—	(1,509)	—
Total	226,638	16,406	—	—	—	(1,509)	241,535
Result							
Segment result	6,630	73,641	(790)	28,193	2,542	(1,167)	109,049
Unallocated corporate income							1,137
Unallocated corporate expenses							(3,310)
Share of results of associates							(5,061)
Profit before taxation							101,815
Taxation charge							(16,221)
Profit for the period							85,594

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

(b) **Segment assets and liabilities**

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

As at 31 March 2007

	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

As at 31 March 2008

	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

As at 31 March 2009

	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	82,591	545,890	280,204	127,311	89,547	1,125,543
Interests in associates						113,036
Unallocated corporate assets						205,323
Consolidated total assets						1,443,902
LIABILITIES						
Segment liabilities	21,716	14,778	1,237	—	39	37,770
Unallocated corporate liabilities						40,948
Consolidated total liabilities						78,718

As at 30 September 2009

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

(c) **Other information**

For the year ended 31 March 2007

	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

For the year ended 31 March 2008

	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

For the year ended 31 March 2009

	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	147	—	—	—	—	147
Amortisation of land portion of properties held for development	—	—	899	—	—	899
Depreciation of property, plant and equipment	698	388	—	—	—	1,086
Impairment loss on properties held for development	—	—	25,632	—	—	25,632
Impairment loss on available-for-sale investments	—	—	—	32,162	—	32,162
Loss arising on changes in fair value of investment properties	—	21,760	—	—	—	21,760
Loss on fair value changes of investments held for trading	—	—	—	60,408	—	60,408

For the six months ended 30 September 2008 (unaudited)

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

For the six months ended 30 September 2009

	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	12	—	—	—	—	12
Amortisation of land portion of properties held for development	—	—	790	—	—	790
Depreciation of property, plant and equipment	331	194	—	—	—	525

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

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

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

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

	Carrying amount of non-current assets			
		As at 31 March		As at 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	931,710	758,188	807,131	848,912
USA	147	174	126	104
	931,857	758,362	807,257	849,016

9. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN ASSOCIATES

During the six months ended 30 September 2008, the holder of the convertible note issued by Easyknit Enterprises, an associate of the Group, exercised his conversion right and converted the whole amount of the convertible note at its par value of HK$37,650,000 into 784,375,000 new ordinary shares of Easyknit Enterprises at a conversion price of HK$0.048 per conversion share. The Group's interest in Easyknit Enterprises was diluted from approximately 35.93% to 31.70% and the gain on partial disposal of interests in associates amounting to HK$1,021,000 was recognised in the consolidated statement of comprehensive income for the six months ended 30 September 2008 and the year ended 31 March 2009.

10. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

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

11. IMPAIRMENT LOSS ON PROPERTIES HELD FOR DEVELOPMENT

During the year ended 31 March 2009, the Group undertook a review of its development projects to assess their recoverable amounts with reference to valuations made by independent qualified professional property valuers as at 31 March 2009 by using the bare site valuation method. The impairment review was performed by the management at 31 March 2009 after considering the impact of the property market conditions since the financial crisis occurred in October 2008. An impairment loss of HK$25,632,000 was recognised as a result of the decline in market value of the properties held for development during the year ended 31 March 2009.

12. (LOSS) PROFIT BEFORE TAXATION

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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

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

For the year ended 31 March 2007

	Executive director		Independent non-executive director			
	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

For the year ended 31 March 2008

	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$'000* *(Note i)*	*HK$'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

For the year ended 31 March 2009

	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**	**Hon Tam Chun**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note ii)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note iii)*	*HK$'000*
Fees	—	—	100	40	100	100	60	400
Other emoluments								
- salaries and other benefits	960	2,716	—	—	—	—	—	3,676
- retirement benefits schemes contributions	12	60	—	—	—	—	—	72
Total directors' emoluments	972	2,776	100	40	100	100	60	4,148

For the six months ended 30 September 2008 (unaudited)

	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**	**Hon Tam Chun**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note ii)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note iii)*	*HK$'000*
Fees	—	—	50	40	50	50	10	200
Other emoluments								
- salaries and other benefits	480	600	—	—	—	—	—	1,080
- retirement benefits schemes contributions	6	30	—	—	—	—	—	36
Total directors' emoluments	486	630	50	40	50	50	10	1,316

For the six months ended 30 September 2009

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

Notes:

(i) Mr. Tse Wing Chiu, Ricky was re-designated from executive director to non-executive director on 18 December 2007.

(ii) Mr. Wong Sui Wah, Michael resigned on 25 August 2008.

(iii) Mr. Hon Tam Chun was appointed on 25 August 2008.

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

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

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

The emoluments of these employees fall within the following bands:

	Number of employees				
	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
				(unaudited)	
Nil to HK$1,000,000	1	1	1	3	3
HK$1,000,001 to HK$1,500,000	2	2	2	—	—
	3	3	3	3	3

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

14. TAXATION

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

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

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current tax and deferred taxation for the year ended 31 March 2009 and for the six months ended 30 September 2008 and 2009.

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

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
(Loss) profit before taxation	(109,470)	60,100	(106,390)	(57,443)	101,815
Hong Kong Profits Tax rate	17.5%	17.5%	16.5%	16.5%	16.5%
Tax (credit) charge at applicable tax rate	(19,157)	10,518	(17,554)	(9,478)	16,799
Tax effect of expenses not deductible for tax purposes	29,972	7,386	15,417	4,543	2,139
Tax effect of income not taxable for tax purposes	(3,342)	(10,669)	(2,331)	(2,124)	(1,686)
Tax effect of share of results of associates	722	1,120	2,482	806	835
Tax effect of tax losses not recognised	1,964	1,289	1,177	410	26
Tax effect of utilisation of tax losses previously not recognised	(4,309)	(2,875)	(2,515)	(1,144)	(1,394)
(Over)underprovision in prior years/periods	(2)	22	(57)	—	—
Release of deferred taxation arising from disposal of investment properties	—	(11,305)	—	—	—
Decrease in opening deferred tax liabilities resulting from decrease in tax rate	—	—	(1,249)	(1,249)	—
Others	279	278	(376)	79	(498)
Taxation charge (credit) for the year/period	6,127	(4,236)	(5,006)	(8,157)	16,221

15. DIVIDEND

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

16. BASIC (LOSS) EARNINGS PER SHARE

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

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

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
				(unaudited)	
Number of shares					
Weighted average number of shares/ number of shares for the purpose of calculating basic (loss) earnings per share	444,167,875	794,204,028	794,204,028	794,204,028	794,204,028

No diluted loss per share is presented for the year ended 31 March 2007 as the exercise price of the Company's outstanding share options is higher than the average market price during that year.

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

17. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

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

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

(b) During the Relevant Periods, the Group provided administrative service to Easyknit Enterprises and received service income of HK$240,000, HK$240,000, HK$240,000, HK$120,000 and HK$120,000 for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009, respectively, from Easyknit Enterprises. Easyknit Enterprises is an associate of the Group and a company in which Ms. Lui Yuk Chu, a director of the Company, has beneficial interests.

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

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

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

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

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

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000 (note a)	Furniture, fixtures and equipment HK$'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)
Transfer to investment properties (note b)	(9,065)	—	—	(9,065)
At 31 March 2007	32,319	13,118	4,047	49,484
Additions	—	206	—	206
Disposals	—	(100)	(1,330)	(1,430)
At 31 March 2008	32,319	13,224	2,717	48,260
Exchange realignments	—	(5)	—	(5)
Additions	—	147	—	147
Disposals	—	(295)	—	(295)
At 31 March 2009	32,319	13,071	2,717	48,107
Additions	—	12	—	12
Disposals	—	(320)	—	(320)
At 30 September 2009	32,319	12,763	2,717	47,799
Comprising:				
At 31 March 2007				
At cost	3,319	13,118	4,047	20,484
At valuation - 1995	29,000	—	—	29,000
	32,319	13,118	4,047	49,484
At 31 March 2008				
At cost	3,319	13,224	2,717	19,260
At valuation - 1995	29,000	—	—	29,000
	32,319	13,224	2,717	48,260
At 31 March 2009				
At cost	3,319	13,071	2,717	19,107
At valuation - 1995	29,000	—	—	29,000
	32,319	13,071	2,717	48,107
At 30 September 2009				
At cost	3,319	12,763	2,717	18,799
At valuation - 1995	29,000	—	—	29,000
	32,319	12,763	2,717	47,799

	Leasehold properties *HK$'000* *(note a)*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$,000*	Total *HK$'000*
ACCUMULATED DEPRECIATION				
At 1 April 2006	19,505	12,118	915	32,538
Provided for the year	466	358	686	1,510
Eliminated on disposals	—	(16)	—	(16)
Estimated on transfer to investment properties	(2,486)	—	—	(2,486)
At 31 March 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
Exchange realignments	—	(5)	—	(5)
Provided for the year	369	244	473	1,086
Eliminated on disposals	—	(295)	—	(295)
At 31 March 2009	18,220	12,583	1,815	32,618
Provided for the period	184	105	236	525
Eliminated on disposals	—	(320)	—	(320)
At 30 September 2009	18,404	12,368	2,051	32,823
CARRYING VALUES				
At 31 March 2007	14,834	658	2,446	17,938
At 31 March 2008	14,468	585	1,375	16,428
At 31 March 2009	14,099	488	902	15,489
At 30 September 2009	13,915	395	666	14,976

Notes:

(a) Owner-occupied leasehold land situated in Hong Kong is included in property, plant and equipment as the allocation between the land and building elements cannot be made reliably.

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

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

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

The carrying value of leasehold properties shown above comprises:

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

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

19. PROPERTIES HELD FOR DEVELOPMENT

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

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

During the year ended 31 March 2008, the Group completed the acquisition of all units of the Victory Avenue Building and the development project has been commenced. At 31 March 2008 and 2009 and 30 September 2009, the properties held for development in relation to the Victory Avenue Building amounting to HK$178,587,000, HK$181,204,000 and HK$191,678,000, respectively, were included in the Group's current assets in the consolidated statement of financial position as it is expected that the properties will be realised in the Group's normal operating cycle for properties development, which is expected to be more than twelve months after the end of each reporting period.

During the year ended 31 March 2009, the Group entered into a sale and purchase agreement with a vendor to acquire the entire issued share capital of Trump Elegant Investment Limited ("Trump Elegant") for a total cash consideration of HK$8,300,000. This transaction has been accounted for as a purchase of assets and liabilities rather than business combination as Trump Elegant is not a business. The net assets acquired are as follows:

	HK$'000
Net assets acquired:	
Deposits for acquisition of properties held for development	21,510
Properties held for development	22,267
Trade receivable	129
Rental deposit received	(90)
Amount due to a former shareholder	(3,606)
Amount due to a subsidiary of the Company	(31,910)
	8,300
Total consideration satisfied by cash and cash outflow in respect of the acquisition (Note)	(8,300)

Note: The cash outflow has been included in operating activities as the acquisition was for the purposes of acquiring properties held for development.

During the year ended 31 March 2009, Trump Elegant completed the acquisition of 11 out of the 12 units in a building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong) (the "313 Prince Edward Road Building") at a total consideration of HK$117,231,000 (including direct costs). As disclosed in note 11, an impairment loss of HK$25,632,000 was recognised for these properties held for development during the year ended 31 March 2009.

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

During the six months ended 30 September 2009, the Group entered into a conditional sale and purchase agreement with a vendor to acquire the entire issued share capital of Kingbest Capital Holdings Limited ("Kingbest") for a total consideration of HK$2,440,000. The acquisition of Kingbest which was completed on 6 October 2009 enables the Group to acquire all units in a building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B and 311D Prince Edward Road West, Kowloon, Hong Kong) (the "311 Prince Edward Road Building"). The directors of the Company intend to redevelop the 311 Prince Edward Road Building together with the 313 Prince Edward Road Building for sale. The properties held for development in respect of the 313 Prince Edward Road Building of HK$108,231,000 were not included in the Group's current assets in the consolidated statement of financial position at 30 September 2009 because all conditions for completion of the acquisition of the 311 Prince Edward Road Building have not been fulfilled at 30 September 2009.

20. INVESTMENT PROPERTIES

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

The fair values of the Group's investment properties at 31 March 2007, 2008 and 2009 and 30 September 2009 have been arrived at on the basis of a valuation carried out on those days by Knight Frank Petty Limited (formerly Messrs. Knight Frank), a firm of independent qualified professional property valuers not connected with the Group. Knight Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

The carrying value of investment properties shown above comprises properties situated on lands in Hong Kong which are under:

	As at 31 March			As at 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Long lease	79,000	86,000	82,000	99,000
Medium-term lease	527,170	480,680	462,920	453,251
	606,170	566,680	544,920	552,251

21. INTANGIBLE ASSET

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

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

22. INTERESTS IN ASSOCIATES

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

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

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

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Turnover	75,964	74,923	59,960	23,875	15,345
Loss for the year/period	(11,481)	(17,811)	(47,457)	(15,405)	(15,967)
Total share of results of associates for the year/period	(4,125)	(6,399)	(15,044)	(4,883)	(5,061)

Note: The amount at 31 March 2008 included the equity component of the convertible note issued by Easyknit Enterprises in March 2008 to a third party amounting to HK$4,128,000, which was not shared by the Group.

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

Particulars of the Group's principal associates at 31 March 2007, 2008 and 2009 and 30 September 2009 are as follows:

Name of associate	Form of business structure	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital/paid up registered capital/ stated capital held by the Group				Nature of business
					As at 31 March			At 30 September	
					2007	2008	2009	2009	
Easyknit Enterprises#	Incorporated	Bermuda	Hong Kong	Ordinary	35.93%	35.93%	31.70%	31.70%	Investment holding
Easyknit (Mauritius) Limited	Establishment	Republic of Mauritius	Hong Kong	N/A	35.93%*	35.93%*	31.70%*	31.70%*	Investment holding
Po Cheong International Enterprises Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	35.93%*	31.70%*	31.70%*	Investment holding
Tat Cheong International (HK) Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	35.93%*	31.70%*	31.70%*	Investment holding
東莞永耀漂染有限公司 ("Wing Yiu")**	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	31.70%*	Bleaching and dyeing
永義紡織(河源)有限公司 ("He Yuan")***	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	31.70%*	Knitting
永義製衣(湖州)有限公司 ("Huzhou Garment")****	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	31.70%*	Construction in progress of garment production plant for own use (suspended) and property holding
永義紡織(湖州)有限公司 ("Huzhou Knitting")*****	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	31.70%*	Construction in progress of knitting production plant for own use (suspended)
永義漂染(湖州)有限公司 ("Huzhou Bleaching and Dyeing")******	Establishment	PRC	PRC	N/A	35.93%*	35.93%*	31.70%*	31.70%*	Construction in progress of bleaching and dyeing production plant for own use (suspended)
Gainever Corporation Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	35.93%*	35.93%*	31.70%*	31.70%*	Trading of marketable securities

Easyknit Enterprises is a company listed on the Main Board of the Stock Exchange.

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

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

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

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

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

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

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

23. AVAILABLE-FOR-SALE INVESTMENTS

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

24. PROPERTIES HELD FOR SALE

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

25. INVESTMENTS HELD FOR TRADING

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

26. INVENTORIES

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

27. TRADE AND OTHER RECEIVABLES

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

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

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 - 60 days	17,919	15,404	10,411	11,194
61 - 90 days	533	224	1,245	656
Over 90 days	598	62	48	149
	19,050	15,690	11,704	11,999

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

Included in the Group's trade receivable balances at 31 March 2007, 2008 and 2009 and 30 September 2009 are debtors with aggregate carrying amount of HK$1,584,000, HK$3,918,000, HK$1,536,000 and HK$1,899,000, respectively, which are past due at the end of reporting period for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

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

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

Movement in the allowance for doubtful debts:

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

Included in the allowance for doubtful debts at 31 March 2007 and 2008 were individually impaired trade receivables with aggregate balance of HK$5,121,000 and HK$790,000, respectively, which had either been placed under liquidation or in financial difficulties. The Group did not hold any collateral over these balances.

No allowance was made for trade receivables that are past due but not impaired at 31 March 2007, 2008 and 2009 and 30 September 2009 as the amounts were expected to be subsequently recovered after the end of each reporting period.

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

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

28. LOANS RECEIVABLE

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

The interest-free advance to Kingbest, amounting to HK$7,410,000, at 30 September 2009 shall be used exclusively in and towards payment of the deposits in respect of the property purchase agreements entered into by Kingbest as purchaser of the units in the 311 Prince Edward Road Building.

The management closely monitors the credit quality of loans receivable and considers loans receivable that are neither past due nor impaired to be of good credit quality. No loans receivable are past due at the end of each reporting period.

Movement in the allowance for doubtful debts:

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

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

29. BILLS RECEIVABLE

At 31 March 2007, 2008 and 2009 and 30 September 2009, the bills receivable are aged within 90 days.

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

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	46,661	30,826	39,180	37,919

30. STRUCTURED DEPOSIT

The Group did not have structured deposit at 31 March 2007 and 2008 and 30 September 2009. During the year ended 31 March 2009, the Group placed a structured deposit with a financial institution in Hong Kong. The structured deposit contained embedded derivative, the return of which was determined with reference to the change in exchange rate between RMB and USD quoted in the market. The structured deposit was designated as fair value through profit or loss at initial recognition.

Major terms of the structured deposit 31 March 2009 were as follows:

Principal amount	Maturity	Annual coupon rate
USD3,000,000 (Equivalent to HK$23,250,000)	2 July 2009	0% to 10% (note)

Note: The annual coupon rate was dependent on whether the spot rate for conversion of USD for RMB as prevailing in the international foreign exchange market falls within ranges as specified in the agreement during the period from the inception date to the maturity date of the agreement.

At 31 March 2009, the structured deposit was stated at fair value based on valuation provided by the counterparty financial institution for equivalent instruments. The fair value was calculated using discounted cashflow analyses based on the applicable yield curve of relevant interest rate and exchange rates.

The structured deposit matured on 2 July 2009 at a fair value of HK$25,092,000 and cash proceeds of HK$25,092,000 were received by the Group.

31. BANK BALANCES AND CASH

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

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

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

32. ASSET CLASSIFIED AS HELD FOR SALE

During the six months ended 30 September 2009, the Group received and accepted an offer from the Urban Renewal Authority to purchase the Group's investment property located at G/F, No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK$47,113,000 plus an allowance of HK$4,711,000. The carrying amount of the investment property classified as held for sale as at 30 September 2009 was HK$51,824,000.

This disposal of investment property, which was approved by the shareholders of the Company at the special general meeting held on 3 September 2009, was completed on 5 October 2009.

33. TRADE AND OTHER PAYABLES

The amount at 30 September 2009 included an amount of HK$15,547,000 representing deposit received in respect of disposal of an investment property. Further details about this disposal are set out in note 32.

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

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

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

	As at 31 March			As at 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	407	529	192	352

34. BILLS PAYABLE

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

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

	As at 31 March			As at 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	—	1,444	—	—

35. 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, 2008 and 2009 and 30 September 2009		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, 2008 and 2009 and 30 September 2009		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.

36. SHARE OPTION SCHEME

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

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

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

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

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

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

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

				Number of share options			
Grantee	**Date of grant**	**Exercise period**	**Exercise price**	**At 1 April 2006**	**Adjustments***	**Lapsed during the year**	**At 31 March 2007**
			HK$				
Employees	2 March 2006	2 March 2006 to	0.1418	132,360,000	(132,360,000)	—	—
		1 September 2006	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 and 2009 and 30 September 2009 or at any time during the years ended 31 March 2008 and 2009 and the six months ended 30 September 2009.

Notes:

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

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

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

37. DEFERRED TAXATION

Major deferred tax liabilities and assets recognised and movements thereon during the Relevant Periods are as follows:

	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 statement of comprehensive income	(66)	1,814	4,007	5,755
At 31 March 2007	324	45,697	(17,788)	28,233
(Credit) charge to consolidated statement of comprehensive income	(68)	(8,605)	2,283	(6,390)
At 31 March 2008	256	37,092	(15,505)	21,843
Effect of change in tax rate	(15)	(2,120)	886	(1,249)
Charge (credit) to consolidated statement of comprehensive income	5	(1,023)	(4,890)	(5,908)
At 31 March 2009	246	33,949	(19,509)	14,686
Charge to consolidated statement of comprehensive income	11	8,413	6,747	15,171
At 30 September 2009	257	42,362	(12,762)	29,857

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

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

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

38. PLEDGE OF ASSETS

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

				As at
		As at 31 March		**30 September**
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties	131,000	138,500	48,900	—

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

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

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

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

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

The Group as lessor

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

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

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

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

40. RETIREMENT BENEFITS SCHEMES

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

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

The aggregate employers' contributions which have been dealt with in the consolidated statement of comprehensive income for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 amounted to HK$753,000, HK$776,000, HK$754,000, HK$355,000 and HK$338,000, respectively.

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

41. SIGNIFICANT EVENTS

As jointly announced by the Company and Easyknit Enterprises, an associate of the Group, on 17 July 2007, Easyknit Enterprises, Race Merger, Inc., a wholly-owned subsidiary of Easyknit Enterprises, and Wits Basin Precious Minerals Inc. ("Wits Basin") entered into an agreement and a plan of merger and reorganisation dated 20 April 2007, as amended by an agreement supplemental thereto dated 21 May 2007 (the "Merger Agreements"). 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.

Pursuant to the Merger Agreements, Easyknit Enterprises shall issue up to 3,345,286,315 shares of Easyknit Enterprises as a consideration for the merger of Race Merger, Inc. with and into Wits Basin (the "Merger"). Wits Basin will be the surviving entity and the wholly-owned subsidiary of Easyknit Enterprises. Therefore, the Merger shall lead to a dilution of the Company's then shareholding in Easyknit Enterprises from approximately 35.93% to approximately 19.40%.

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.

B. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) As announced by the Company on 17 July 2009 and as set out in note 19, the Group entered into a sale and purchase agreement with a vendor to acquire the entire issued share capital of Kingbest for a total consideration of HK$2,440,000. The Group also agreed to advance an interest-free loan to Kingbest up to an aggregate amount not exceeding HK$7,410,000 (see note 28). Kingbest is a limited liability company incorporated in the British Virgin Islands and is the purchaser under various property purchase agreements. The acquisition of Kingbest will enable the Group to acquire the 311 Prince Edward Road Building. In addition, the vendor granted to the Group an option to require the vendor to purchase from the Group the entire issued share capital of Kingbest if completion of any units does not take place or if in the sole opinion of the Group, the title of the units is defective, or vacant possession of the units is not obtained on the specified dates, at a consideration equivalent to the aggregate of HK$2,440,000 and total sum paid by Kingbest and the Group. The option may be exercised by the Group by notice in writing to the vendor any time on or before 31 October 2009. This proposed acquisition was approved by the shareholders of the Company at the special general meeting held on 3 September 2009.

As announced by the Company on 4 November 2009, the acquisition of the entire issued share capital of Kingbest was completed on 6 October 2009 and the completion of all property purchase agreements was on 20 October 2009. The Group did not exercise the option granted by the vendor and the option expired on 31 October 2009.

(b) As announced by the Company on 25 August 2009, Easyknit Enterprises, the Group's associate, proposed on 25 August 2009 to undertake a capital reorganisation exercise and thereafter, to raise approximately HK$111.6 million (before expenses) by way of a rights issue of 293,699,560 rights shares at a subscription price of HK$0.38 per rights share, payable in full on acceptance. The Group has conditionally undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among others, the rights shares to be allotted to the Group shall be taken up in full. The subscription cost amounted to approximately HK$35.4 million based on the Group's shareholding in Easyknit Enterprises. The Group did not apply for any excess rights shares.

(c) As announced by the Company on 16 October 2009, the Group entered into two separate conditional sale and purchase agreements in respect of the acquisitions of the entire issued share capital of Grow Well Profits Limited ("Grow Well") and Supertop Investment Limited ("Supertop"). Pursuant to the sale and purchase agreement in respect of the acquisition of Grow Well (the "Grow Well Agreement"), the Group conditionally agreed to acquire the entire issued share capital of Grow Well and two interest-free shareholder's loans due by Grow Well for a consideration of HK$123,120,000. Grow Well owns investment properties in Singapore. Pursuant to the sale and purchase agreement in respect of the acquisition of Supertop (the "Supertop Agreement"), the Group conditionally agreed to acquire the entire issued share capital of Supertop for a consideration of HK$104,350,000. Supertop, through its wholly-owned subsidiary, owns investment properties in Hong Kong. The Grow Well Agreement and the Supertop Agreement are independent of each other and are not inter-conditional. Ms. Lui Yuk Chu, a director of the Company, is the vendor of Grow Well and Supertop.

The above proposed acquisitions, which are also connected transactions for the Company, are approved by the shareholders of the Company at the special general meeting held on 21 December 2009.

(d) As announced by the Company on 3 December 2009, the Group acquired 915,000 shares of an equity security listed in Hong Kong, which was classified as investments held for trading, at a consideration of HK$8,308,000 and subsequently disposed of all the equity security shares through the market for an aggregate gross proceeds of HK$8,213,000 (exclusive of transaction costs).

(e) As announced by the Company on 8 December 2009, the Company proposed to effect a share consolidation pursuant to which every ten issued and unissued shares of the Company of HK$0.01 each will be consolidated into one consolidated share of HK$0.10 each.

(f) As announced by the Company also on 8 December 2009, the Group entered into a conditional sale and purchase agreement with the Purchaser to dispose of the entire issued share capital of Easyknit Global, Easyknit Worldwide and Grand Profit to the Purchaser at an aggregate consideration of HK$80,000,000 (the "Transaction"). The Purchaser is a wholly-owned subsidiary of Easyknit Enterprises. Up to the date of this report, the Transaction has not been completed.

Included below are the assets and liabilities of Easyknit Global, Easyknit Worldwide and Grand Profit incorporated into the Group's consolidated statement of financial position as at 31 March 2007, 2008 and 2009 and 30 September 2009:

Easyknit Global

	As at 31 March			As at 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	—	1,878	1,549	1,323
Current assets				
Inventories	—	80	1,113	—
Trade and other receivables	—	19,962	30,258	16,064
Bills receivable	—	30,826	39,180	37,919
Amounts due from other subsidiaries of the Company	—	1,561	4,593	2,072
Bank balances and cash	9	17,871	2,856	277
	9	70,300	78,000	56,332
Current liabilities				
Trade and other payables	10	23,079	10,682	21,635
Bills payable	—	2,122	9,683	11,633
Amount due to the Company	99,550	132,392	135,594	94,658
Amounts due to other subsidiaries of the Company	—	1,407	728	259
	99,560	159,000	156,687	128,185
Net current liabilities	(99,551)	(88,700)	(78,687)	(71,853)
Net liabilities	(99,551)	(86,822)	(77,138)	(70,530)

Easyknit Worldwide

	As at 31 March			As at 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Trade and other receivables	—	480	—	—
Amounts due from other subsidiaries of the Company	—	1,221	728	—
Bank balances and cash	10	145	35	35
	10	1,846	763	35
Current liabilities				
Other payables and accrued charges	11	611	15	10
Amount due to the Company	34,894	35,310	34,943	34,234
	34,905	35,921	34,958	34,244
Net liabilities	(34,895)	(34,075)	(34,195)	(34,209)

Grand Profit

	As at 31 March			As at 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	—	—	—	—
Current assets				
Trade and other receivables	3,100	2,436	2,666	110
Amounts due from other subsidiaries of the Company	5,856	2,419	2,436	5,293
Bank balances and cash	59	95	111	38
	9,015	4,950	5,213	5,441
Current liabilities				
Trade and other payables	3,012	1,483	409	1,090
Bills payable	—	1,444	—	—
Amount due to the Company	73,420	70,287	70,170	70,624
Amounts due to other subsidiaries of the Company	2,887	191	1,995	936
	79,319	73,405	72,574	72,650
Net current liabilities	(70,304)	(68,455)	(67,361)	(67,209)
Net liabilities	(70,304)	(68,455)	(67,361)	(67,209)

Included below are the results of Easyknit Global, Easyknit Worldwide and Grand Profit incorporated into the Group's consolidated statement of comprehensive income during the Relevant Periods:

Easyknit Global

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Turnover	—	225,958	369,338	171,879	208,407
Cost of sales	—	(195,998)	(325,471)	(149,991)	(184,664)
Gross profit	—	29,960	43,867	21,888	23,743
Other income	—	1,500	549	298	307
Distribution and selling expenses	—	(4,383)	(7,397)	(3,541)	(4,088)
Administrative expenses	(14)	(14,348)	(27,335)	(13,633)	(13,354)
(Loss) profit and total comprehensive (expenses) income for the year/period attributable to owners of Easyknit Global	(14)	12,729	9,684	5,012	6,608

Easyknit Worldwide

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Turnover	—	15,757	—	—	—
Cost of sales	—	(13,615)	—	—	—
Gross profit	—	2,142	—	—	—
Other income	—	282	—	—	1
Distribution and selling expenses	—	(514)	—	—	—
Administrative expenses	(14)	(1,090)	(120)	(104)	(15)
(Loss) profit and total comprehensive (expenses) income for the year/period attributable to owners of Easyknit Worldwide	(14)	820	(120)	(104)	(14)

Grand Profit

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Turnover	50,470	44,511	43,045	18,414	11,249
Cost of sales	(45,743)	(40,021)	(39,491)	(17,097)	(10,430)
Gross profit	4,727	4,490	3,554	1,317	819
Other income	55	520	898	253	162
Distribution and selling expenses	(585)	(282)	(231)	(132)	(63)
Administrative expenses	(2,972)	(2,879)	(3,127)	(1,409)	(766)
Profit and total comprehensive income for the year/period attributable to owners of Grand Profit	1,225	1,849	1,094	29	152

Included below are cash flows of Easyknit Global, Easyknit Worldwide and Grand Profit incorporated into the Group's consolidated statement of cash flows during the Relevant Periods:

Easyknit Global

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from operating activities					
(Loss) profit for the year/period	(14)	12,729	9,684	5,012	6,608
Adjustments for:					
Interest income	—	(67)	(92)	(72)	(87)
Depreciation of property, plant and equipment	—	362	466	228	238
Operating cash flows before movements in working capital	(14)	13,024	10,058	5,168	6,759
(Increase) decrease in inventories	—	(80)	(1,033)	(231)	1,113
(Increase) decrease in trade and other receivables	—	(19,962)	(10,296)	(2,509)	14,194
(Increase) decrease in bills receivable	—	(30,826)	(8,354)	4,109	1,261

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
(Increase) decrease in amounts due from other subsidiaries of the Company	—	(1,561)	(3,032)	(3,250)	2,521
Increase (decrease) in trade and other payables	1	23,069	(12,397)	(11,242)	10,953
Increase in bills payable	—	2,122	7,561	5,328	1,950
Net cash (used in) from operating activities	(13)	(14,214)	(17,493)	(2,627)	38,751
Cash flows from investing activities					
Interest received	—	67	92	72	87
Purchase of property, plant and equipment	—	(2,240)	(137)	(134)	(12)
Net cash from (used in) investing activities	—	(2,173)	(45)	(62)	75
Cash flows from financing activities					
Advances from (repayment to) the Company	10	32,842	3,202	(12,622)	(40,936)
Advances from (repayment to) other subsidiaries of the Company	—	1,407	(679)	(1,148)	(469)
Net cash from (used in) financing activities	10	34,249	2,523	(13,770)	(41,405)
Net (decrease) increase in cash and cash equivalents	(3)	17,862	(15,015)	(16,459)	(2,579)
Cash and cash equivalents at beginning of the year/period	12	9	17,871	17,871	2,856
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	9	17,871	2,856	1,412	277

Easyknit Worldwide

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from operating activities					
(Loss) profit for the year/period	(14)	820	(120)	(104)	(14)
Adjustments for:					
Interest income	—	(3)	—	—	—
Operating cash flows before movements in working capital	(14)	817	(120)	(104)	(14)
(Increase) decrease in trade and other receivables	—	(480)	480	(248)	—
(Increase) decrease in amounts due from other subsidiaries of the Company	—	(1,221)	493	1,221	728
Increase (decrease) in other payables and accrued charges	1	600	(596)	(501)	(5)
Net cash (used in) from operating activities	(13)	(284)	257	368	709
Cash flows from investing activities					
Interest received	—	3	—	—	—
Net cash from investing activities	—	3	—	—	—
Cash flows from financing activities					
Advances from (repayment to) the Company	21	416	(367)	(477)	(709)
Net cash from (used in) financing activities	21	416	(367)	(477)	(709)
Net increase (decrease) in cash and cash equivalents	8	135	(110)	(109)	—
Cash and cash equivalents at beginning of the year/period	2	10	145	145	35
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	10	145	35	36	35

Grand Profit

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from operating activities					
Profit for the year/period	1,225	1,849	1,094	29	152
Adjustments for:					
Interest income	(16)	(11)	—	—	—
Operating cash flows before movements in working capital	1,209	1,838	1,094	29	152
Decrease in inventories	1,119	—	—	—	—
Decrease (increase) in trade and other receivables	4,305	664	(230)	(36)	2,556
Decrease (increase) in amounts due from other subsidiaries of the Company	1,163	3,437	(17)	(1,160)	(2,857)
(Decrease) increase in trade and other payables	(1,868)	(1,529)	(1,074)	(1,001)	681
Increase (decrease) in bills payable	—	1,444	(1,444)	(1,444)	—
Increase (decrease) in amounts due to other subsidiaries of the Company	266	(2,696)	1,804	1,202	(1,059)
Net cash from (used in) operating activities	6,194	3,158	133	(2,410)	(527)
Cash flows from investing activities					
Interest received	16	11	—	—	—
Net cash from investing activities	16	11	—	—	—
Cash flows from financing activities					
(Repayment to) advances from the Company	(6,235)	(3,133)	(117)	2,388	454
Net cash (used in) from financing activities	(6,235)	(3,133)	(117)	2,388	454
Net (decrease) increase in cash and cash equivalents	(25)	36	16	(22)	(73)
Cash and cash equivalents at beginning of the year/period	84	59	95	95	111
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	59	95	111	73	38

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies in the Group have been prepared in respect of any period subsequent to 30 September 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. WORKING CAPITAL

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

3. INDEBTEDNESS

At the close of business on 31 December 2009, being the latest practicable date for ascertaining this information prior to printing of this circular, the Group had no outstanding borrowings. Its available banking facilities were guaranteed by the Company.

Apart from intra-group liabilities, the Group did not have at the close of business on 31 December 2009 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 FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Company and its subsidiaries but excluding the Target Companies (collectively referred to the "Remaining Group") ("Pro Forma Financial Information"), have been prepared to illustrate the effect of the disposal of the entire issued share capital of Easyknit Global, Easyknit Worldwide and Grand Profit (the "Disposal").

(a) Unaudited pro forma consolidated statement of financial position of the Remaining Group

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if it had taken place on 30 September 2009.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is based on the audited consolidated statement of financial position as at 30 September 2009 of the Group as set out in Section A of Part 1 of Appendix I to this circular and after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; and (ii) factually supportable. The unaudited pro forma consolidated statement of financial position of the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma consolidated statement of financial position of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have attained had the Disposal been completed on 30 September 2009.

The unaudited pro forma consolidated statement of financial position does not purport to predict the future position of the Remaining Group. The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the Disposal been completed on 30 September 2009 or at any future date.

Unaudited Pro Forma Consolidated Statement of Financial Position

	The Group as at 30 September 2009	Pro forma adjustments						Unaudited pro forma total for the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note a)*	*(Note b)*	*(Note c)*	*(Note d)*	*(Note e)*	*(Note f)*	
Non-current assets								
Property, plant and equipment	14,976	(1,323)	—	—	—	—	—	13,653
Properties held for development	108,231	—	—	—	—	—	—	108,231
Investment properties	552,251	—	—	—	—	—	—	552,251
Intangible asset	921	—	—	—	—	—	—	921
Interests in associates	107,975	—	—	—	(15,353)	—	—	92,622
Available-for-sale investments	64,662	—	—	—	—	—	—	64,662
	849,016	(1,323)	—	—	(15,353)	—	—	832,340
Current assets								
Properties held for development	191,678	—	—	—	—	—	—	191,678
Investments held for trading	71,066	—	—	—	—	—	—	71,066
Inventories	1,155	—	—	—	—	—	—	1,155
Trade and other receivables	27,300	(16,064)	—	(110)	—	—	—	11,126
Loans receivable	77,110	—	—	—	—	—	—	77,110
Bills receivable	37,919	(37,919)	—	—	—	—	—	—
Amounts due from fellow subsidiaries	—	(2,072)	—	(5,293)	—	926	6,439	—
Amounts due from the Target Companies	—	—	—	—	—	—	269	269
Tax recoverable	31	—	—	—	—	—	—	31
Bank balances and cash	301,309	(277)	(35)	(38)	76,000	—	—	376,959
	707,568	(56,332)	(35)	(5,441)	76,000	926	6,708	729,394
Asset classified as held for sale	51,824	—	—	—	—	—	—	51,824
	759,392	(56,332)	(35)	(5,441)	76,000	926	6,708	781,218

	The Group as at 30 September 2009	Pro forma adjustments						Unaudited pro forma total for the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note a)*	*(Note b)*	*(Note c)*	*(Note d)*	*(Note e)*	*(Note f)*	
Current liabilities								
Trade and other payables	58,693	(21,635)	(10)	(1,090)	—	—	—	35,958
Bills payable	11,633	(11,633)	—	—	—	—	—	—
Amount due to ultimate holding company	—	(94,658)	(34,234)	(70,624)	199,516	—	—	—
Amounts due to fellow subsidiaries	—	(259)	—	(936)	—	926	269	—
Amounts due to the Target Companies	—	—	—	—	—	—	6,439	6,439
Tax payable	26,676	—	—	—	—	—	—	26,676
	97,002	(128,185)	(34,244)	(72,650)	199,516	926	6,708	69,073
Net current assets	662,390	71,853	34,209	67,209	(123,516)	—	—	712,145
Total assets less current liabilities	1,511,406	70,530	34,209	67,209	(138,869)	—	—	1,544,485
Non-current liabilities								
Deferred taxation	29,857	—	—	—	—	—	—	29,857
Net assets	1,481,549	70,530	34,209	67,209	(138,869)	—	—	1,514,628

(b) Unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had taken place on 1 April 2009.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are based on the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the six months ended 30 September 2009 as set out in Section A of Part 1 of Appendix I to this circular and after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma consolidated statement of comprehensive income and statement of cash flows of the Remaining Group do not purport to describe the results and cash flows of the Remaining Group that would have attained had the Disposal been completed on 1 April 2009. The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group do not purport to predict the future results and cash flows of the Remaining Group.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared by the Directors for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the results and cash flows of the Remaining Group had the Disposal been completed on 1 April 2009 or for any future period.

Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	The Group For the six months ended 30 September 2009	Pro forma adjustments								Unaudited pro forma total for the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note g)*	*(Note h)*	*(Note i)*	*(Note j)*	*(Note k)*	*(Note l)*	*(Note m)*	*(Note n)*	
Turnover	241,535	(208,407)	—	(11,249)	—	1,509	9,702	—	—	33,090
Cost of sales	(198,600)	184,664	—	10,430	—	—	(9,814)	—	—	(13,320)
Gross profit	42,935	(23,743)	—	(819)	—	1,509	(112)	—	—	19,770
Other income	6,626	(307)	(1)	(162)	—	—	—	12	—	6,168
Distribution and selling expenses	(5,200)	4,088	—	63	—	—	—	—	—	(1,049)
Administrative expenses	(22,294)	13,354	15	766	—	(1,509)	—	(12)	—	(9,680)
Gain arising on changes in fair value of investment properties	59,103	—	—	—	—	—	—	—	—	59,103
Gain on fair value changes of investments held for trading	24,659	—	—	—	—	—	—	—	—	24,659
Gain on disposal of subsidiaries	—	—	—	—	9,553	—	—	—	—	9,553
Gain on fair value changes of structured deposit	1,047	—	—	—	—	—	—	—	—	1,047
Share of results of associates	(5,061)	—	—	—	—	—	—	—	2,138	(2,923)
Profit before taxation	101,815	(6,608)	14	(152)	9,553	—	(112)	—	2,138	106,648
Taxation charge	(16,221)	—	—	—	—	—	—	—	—	(16,221)
Profit for the period attributable to owners of the Company	85,594	(6,608)	14	(152)	9,553	—	(112)	—	2,138	90,427
Other comprehensive income										
Change in fair value of available-for-sale investments	30,771	—	—	—	—	—	—	—	—	30,771
Total comprehensive income for the period attributable to owners of the Company	116,365	(6,608)	14	(152)	9,553	—	(112)	—	2,138	121,198

Unaudited Pro Forma Consolidated Statement of Cash Flows

	The Group For the six months ended 30 September 2009	Pro forma adjustments									Unaudited pro forma total for the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note o)*	*(Note p)*	*(Note q)*	*(Note j)*	*(Note l)*	*(Note n)*	*(Note r)*	*(Note s)*	*(Note t)*	
Cash flows from operating activities											
Profit before taxation	101,815	(6,608)	14	(152)	9,553	(112)	2,138	—	—	—	106,648
Adjustments for:											
Share of results of associates	5,061	—	—	—	—	—	(2,138)	—	—	—	2,923
Interest income	(2,742)	87	—	—	—	—	—	—	—	—	(2,655)
Depreciation of property, plant and equipment	525	(238)	—	—	—	—	—	—	—	—	287
Amortisation of land portion of properties held for development	790	—	—	—	—	—	—	—	—	—	790
Dividend income from listed investments	(3,534)	—	—	—	—	—	—	—	—	—	(3,534)
Gain on fair value changes of investments held for trading	(24,659)	—	—	—	—	—	—	—	—	—	(24,659)
Gain on disposal of subsidiaries	—	—	—	—	(9,553)	—	—	—	—	—	(9,553)
Gain arising on changes in fair value of investment properties	(59,103)	—	—	—	—	—	—	—	—	—	(59,103)
Gain on fair value changes of structured deposit	(1,047)	—	—	—	—	—	—	—	—	—	(1,047)
Operating profit before movements in working capital	17,106	(6,759)	14	(152)	—	(112)	—	—	—	—	10,097
Increase in properties held for development	(20,495)	—	—	—	—	—	—	—	—	—	(20,495)
Decrease in investments held for trading	47,013	—	—	—	—	—	—	—	—	—	47,013
Decrease in inventories	2,335	(1,113)	—	—	—	—	—	—	—	—	1,222
Decrease in loans receivable	8,958	—	—	—	—	—	—	—	—	—	8,958
Decrease (increase) in trade and other receivables	16,760	(14,194)	—	(2,556)	—	—	—	—	—	—	10
Decrease in bills receivable	1,261	(1,261)	—	—	—	—	—	—	—	—	—
Decrease in amounts due from fellow subsidiaries	—	(2,521)	(728)	2,857	—	—	—	1,787	—	(1,395)	—
Increase in trade and other payables	14,454	(10,953)	5	(681)	—	—	—	—	—	1,395	4,220
Increase in bills payable	1,950	(1,950)	—	—	—	—	—	—	—	—	—
Increase in amounts due to fellow subsidiaries	—	—	—	1,059	—	—	—	(1,059)	—	—	—
Cash from operations	89,342	(38,751)	(709)	527	—	(112)	—	728	—	—	51,025
Hong Kong Profits Tax paid	(31)	—	—	—	—	—	—	—	—	—	(31)
Loan interest received	1,604	—	—	—	—	—	—	—	—	—	1,604
Dividend received from investments held for trading	1,936	—	—	—	—	—	—	—	—	—	1,936
Net cash from operating activities	92,851	(38,751)	(709)	527	—	(112)	—	728	—	—	54,534

	The Group For the six months ended 30 September 2009	Pro forma adjustments									Unaudited pro forma total for the Remaining Group
	HK$'000 (Audited)	HK$'000 (Note o)	HK$'000 (Note p)	HK$'000 (Note q)	HK$'000 (Note j)	HK$'000 (Note l)	HK$'000 (Note n)	HK$'000 (Note r)	HK$'000 (Note s)	HK$'000 (Note t)	HK$'000
Cash flows from investing activities											
Bank interest received	1,138	(87)	—	—	—	—	—	—	—	—	1,051
Dividend received from available-for-sale investments	1,598	—	—	—	—	—	—	—	—	—	1,598
Deposit received in respect of disposal of an investment property	15,547	—	—	—	—	—	—	—	—	—	15,547
Disposal of subsidiaries	—	—	—	—	—	—	—	—	72,998	—	72,998
Purchase of property, plant and equipment	(12)	12	—	—	—	—	—	—	—	—	—
Proceeds from disposal of structured deposit	25,092	—	—	—	—	—	—	—	—	—	25,092
Additions of investment properties	(52)	—	—	—	—	—	—	—	—	—	(52)
Net cash from investing activities	43,311	(75)	—	—	—	—	—	—	72,998	—	116,234
Cash used in financing activities											
Repayment of advances to the Target Companies	—	40,936	709	(454)	—	112	—	—	—	(259)	41,044
Advances to fellow subsidiaries	—	469	—	—	—	—	—	(728)	—	259	—
Net cash from financing activities	—	41,405	709	(454)	—	112	—	(728)	—	—	41,044
Net increase in cash and cash equivalents	136,162	2,579	—	73	—	—	—	—	72,998	—	211,812
Cash and cash equivalents at beginning of the period	165,147	(2,856)	(35)	(111)	—	—	—	—	3,002	—	165,147
Cash and cash equivalents at end of the period, represented by bank balances and cash	301,309	(277)	(35)	(38)	—	—	—	—	76,000	—	376,959

Notes:

(a) The adjustment reflects the de-consolidation of the assets and liabilities of Easyknit Global as at 30 September 2009, assuming the disposal of the entire issued share capital of Easyknit Global had taken place on 30 September 2009. The assets and liabilities of Easyknit Global as at 30 September 2009 are extracted from section B of the accountants' report as set out in Part 1 of Appendix I to this circular.

(b) The adjustment reflects the de-consolidation of the assets and liabilities of Easyknit Worldwide as at 30 September 2009, assuming the disposal of the entire issued share capital of Easyknit Worldwide had taken place on 30 September 2009. The assets and liabilities of Easyknit Worldwide as at 30 September 2009 are extracted from section B of the accountants' report as set out in Part 1 of Appendix I to this circular.

(c) The adjustment reflects the de-consolidation of the assets and liabilities of Grand Profit as at 30 September 2009, assuming the disposal of the entire issued share capital of Grand Profit had taken place on 30 September 2009. The assets and liabilities of Grand Profit as at 30 September 2009 are extracted from section B of the accountants' report as set out in Part 1 of Appendix I to this circular.

(d) The adjustment reflects: (i) the receipt of the consideration for the Disposal amounting to HK$80,000,000; (ii) the payment of the estimated professional fee and expenses to be incurred by the Remaining Group for the Disposal of HK$4,000,000, assuming the professional fee and expenses are settled by cash immediately after the Disposal; (iii) the wavier of the receivables due from the Target Companies as at 30 September 2009 amounting to HK$199,516,000 by the Remaining Group before completion of the Disposal; and (iv) the recognition of the estimated gain of HK$48,432,000 arising from the Disposal assuming that the Disposal had taken place on 30 September 2009. The estimated gain comprises a realised gain of HK$33,079,000, which is calculated with reference to the 68.3% equity interest in Easyknit Enterprises not held by the Remaining Group as at 30 September 2009 and is recognised in the Remaining Group's profit or loss; and an unrealised gain of HK$15,353,000, which is calculated with reference to the 31.7% equity interest in Easyknit Enterprises held by the Remaining Group as at 30 September 2009 and is adjusted in the Remaining Group's interests in associates as the Disposal is an inter-company transaction between the Remaining Group and Easyknit Enterprises.

(e) Being elimination of the outstanding balances among the Target Companies.

(f) Being reclassifications of assets and liabilities of the Remaining Group.

(g) The adjustment reflects the de-consolidation of the results of Easyknit Global for the six months ended 30 September 2009, assuming the disposal of the entire issued share capital of Easyknit Global had taken place on 1 April 2009. The results of Easyknit Global for the six months ended 30 September 2009 are extracted from section B of the accountants' report set out in Part 1 of Appendix I to this circular.

(h) The adjustment reflects the de-consolidation of the results of Easyknit Worldwide for the six months ended 30 September 2009, assuming the disposal of the entire issued share capital of Easyknit Worldwide had taken place on 1 April 2009. The results of Easyknit Worldwide for the six months ended 30 September 2009 are extracted from section B of the accountants' report set out in Part 1 of Appendix I to this circular.

(i) The adjustment reflects the de-consolidation of the results of Grand Profit for the six months ended 30 September 2009, assuming the disposal of the entire issued share capital of Grand Profit had taken place on 1 April 2009. The results of Grand Profit for the six months ended 30 September 2009 are extracted from section B of the accountants' report set out in Part 1 of Appendix I to this circular.

(j) The adjustment reflects the estimated realised gain of HK$9,553,000 resulting from the Disposal, assuming that the Disposal had taken place on 1 April 2009. The estimated gain of HK$13,987,000 (including a realised gain of HK$9,553,000 and an unrealised gain of HK$4,434,000) is arrived at after adjusting the total net liabilities of the Target Companies as at 1 April 2009 amounting to HK$178,694,000, the wavier of the total receivables due from the Target Companies as at 1 April 2009 amounting to HK$240,707,000 by the Remaining Group and the estimated professional fee and expenses incurred for the Disposal of HK$4,000,000 from the consideration for the Disposal of HK$80,000,000.

The estimated gain comprises a realised gain of HK$9,553,000, which is calculated with reference to the 68.3% equity interest in Easyknit Enterprises not held by the Remaining Group as at 1 April 2009 and is recognised in the Remaining Group's profit or loss; and an unrealised gain of HK$4,434,000, which is calculated with reference to the 31.7% equity interest in Easyknit Enterprises held by the Remaining Group as at 1 April 2009 and is adjusted in the Remaining Group's interests in associates as the Disposal is an inter-company transaction between the Remaining Group and Easyknit Enterprises.

(k) The adjustment represents rental income of HK$1,509,000 received and receivable by the Remaining Group from the Target Companies for the six months ended 30 September 2009 and rental expenses of HK$1,509,000 paid and payables by the Target Companies to the Remaining Group for the six months ended 30 September 2009.

(l) Being inclusion of sales of HK$9,702,000 by the Target Companies to the Remaining Group for the six months ended 30 September 2009 and inclusion of the corresponding cost of goods sold (including the effect of unrealised profit) of HK$9,814,000 for the six months ended 30 September 2009.

(m) Being inclusion of inter-company service fee and service expense of HK$12,000 between the Target Companies for the six months ended 30 September 2009 as these transactions have been excluded in pro forma adjustments of (g) and (i).

(n) The adjustment reflects the share of results of the Target Companies for the six months ended 30 September 2009 by the Group in accordance with the Group's 31.7% equity interests in Easyknit Enterprises as if the Disposal had been completed on 1 April 2009 and the Target Companies had become wholly-owned subsidiaries of Easyknit Enterprises as at 1 April 2009.

(o) The adjustment reflects the exclusion of the cash flows of Easyknit Global for the six months ended 30 September 2009 assuming the disposal of the entire issued share capital of Easyknit Global had taken place on 1 April 2009. The cash flows of Easyknit Global for the six months ended 30 September 2009 are extracted from section B of the accountants' report set out in Part 1 of Appendix I to this circular.

(p) The adjustment reflects the exclusion of the cash flows of Easyknit Worldwide for the six months ended 30 September 2009 assuming the disposal of the entire issued share capital of Easyknit Worldwide had taken place on 1 April 2009. The cash flows of Easyknit Worldwide for the six months ended 30 September 2009 are extracted from section B of the accountants' report set out in Part 1 of Appendix I to this circular.

(q) The adjustment reflects the exclusion of the cash flows of Grand Profit for the six months ended 30 September 2009 assuming the disposal of the entire issued share capital of Grand Profit had taken place on 1 April 2009. The cash flows of Grand Profit for the six months ended 30 September 2009 are extracted from section B of the accountants' report set out in Appendix I Part 1 of to this circular.

(r) Being inclusion of inter-company cash flows between the Target Companies for the six months ended 30 September 2009 to restate the actual cash flows of the Remaining Group as these inter-company cash flows have been excluded in pro forma adjustments of (o), (p) and (q).

(s) The adjustment reflects the net cash inflows amounting to HK$72,998,000 resulting from the Disposal assuming the Disposal had taken place on 1 April 2009. The net cash inflows of HK$72,998,000 represents the cash consideration for the Disposal of HK$80,000,000 less the total bank balances and cash of the Target Companies as at 1 April 2009 amounting to HK$3,002,000 and the estimated professional fee and expenses of HK$4,000,000.

(t) Being reclassification of inter-company cash flows between the Remaining Group and the Target Companies, as the Target Companies are not fellow subsidiaries of the Remaining Group upon completion of the Disposal assuming that such completion had taken place on 1 April 2009.

(u) Except for the Disposal, no adjustment has been made to reflect any trading results or other transactions of the Remaining Group or the Target Companies entered into subsequent to 30 September 2009.

(v) The above pro forma adjustments will not have continuing impact to the consolidated statement of comprehensive income and consolidated statement of cash flows of the Remaining Group in subsequent financial years.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

TO THE DIRECTORS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Easyknit International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed very substantial disposal (the "Proposed Disposal") of the entire issued share capital of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited, wholly-owned subsidiaries of the Company, might have affected the financial information presented, for inclusion in Section 1 of Appendix II to the circular of the Company dated 29 January 2010 in connection with the Proposed Disposal (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Section 1 of Appendix II 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 financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our 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 financial information 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 financial information 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 financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information 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 30 September 2009 or any future date; or
- the results and cash flows of the Group for the six months ended 30 September 2009 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 January 2010

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The Company is an investment holding company. The Target Companies, all being indirectly wholly-owned subsidiaries of the Company, are primarily engaged in garment trading. Upon completion of the Transaction, the Target Companies will cease to be subsidiaries of the Company. Thereafter, interest of the Company in the Target Companies will only be held through its 31.7% equity interest in Easyknit Enterprises.

For the purpose of the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, the Remaining Group primarily consists of the Company, its subsidiaries but excluding the Target Companies and its 31.7% equity interest in Easyknit Enterprises.

Financial and business performance of the Remaining Group

Upon completion of the Transaction, the Group would have disposed of its garment trading business, but not its garment distribution business in the US. The remaining businesses of the Group are mainly securities investment and property investment and development.

As referred to in the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the six months ended 30 September 2009 as set out in Appendix II to this circular, assuming the Transaction had taken place on 1 April 2009, turnover would drop from HK$241,535,000 to HK$33,090,000, representing a decline of approximately 86.3%. The Group's turnover before the Transaction was predominantly from the garment trading business. The turnover for the Remaining Group is mainly from property investments and the remaining garment distribution business in the US (a loss making business which has not been included in the Transaction). Notwithstanding, the Remaining Group's gross profit would decrease by a lesser extent of 54.0% from HK$42,935,000 to HK$19,770,000, as properties investment activities have a higher profit margin. The Transaction will on a pro forma basis enhance the gross profit margin of the Remaining Group to 59.8%. After disposing the garment trading business, the Remaining Group will incur lower operating expenses, such as distribution and selling expenses and administration expenses. As the Target Companies will become wholly-owned subsidiaries of Easyknit Enterprises after the completion of the Transaction, the Remaining Group will recognise a lower percentage share of their financial results, as they will be associates. Upon completion of the Transaction, the Remaining Group's total comprehensive income attributable for the Shareholders for the six months ended 30 September 2009 would increase from HK$116,365,000 to HK$121,198,000.

Financial resources and liquidity of the Remaining Group

As referred to in the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2009 as set out in Appendix II to this circular, assuming the Transaction had taken place on 30 September 2009, the Remaining Group's bank balances and cash would increase from HK$301,309,000 to HK$376,959,000, which is mainly due to the net proceeds from the Transaction. Bank balances and cash of the Remaining Group are mainly denominated in

Hong Kong dollars and US dollars. The current ratio as at 30 September 2009 would improve from approximately 7.8 times to approximately 11.3 times for the Remaining Group, which is calculated on the basis of the Remaining Group's current assets and assets classified as held for sale in the aggregate sum of approximately HK$781,218,000 and current liabilities of approximately HK$69,073,000.

Capital structure

The capital structure of the Remaining Group consisted of bank balances and cash, share capital, reserves and accumulated profits. The Remaining Group had no bank borrowing as at 30 September 2009 and therefore no gearing ratio of the Remaining Group was presented. The Remaining Group financed its operations mainly by internally generated resources.

Material acquisition

As well as the agreements disclosed in the paragraph headed "Business review and prospects of the Group" in the Letter from the Board of this circular, the Remaining Group also entered into the following material acquisitions of subsidiaries or associates during the six months ended 30 September 2009.

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

Business segment of the Remaining Group

Upon completion of the Transaction, the Remaining Group's primary reporting format for its business segment will be the remaining five main operating divisions (i) property investments, (ii) property development, (iii) investment in securities, (iv) loan financing and (v) garment distribution business in the US. Set out below is the summary of each business segment of the Remaining Group.

(i) Property investment and development

The property investment and development segments contributed approximately HK$14,897,000 to the Remaining Group's total turnover for the six months ended 30 September 2009 (six months ended 30 September 2008: approximately HK$15,960,000). As disclosed in the interim report of the Group for the six months ended 30 September 2009, a gain of approximately HK$72,851,000 attributable to these segments was recorded (six months ended 30 September 2008: loss of approximately HK$3,208,000) due to the gain arising on changes in fair value of investment properties of approximately HK$59,103,000. Rental income from properties (which are all located in Hong

Kong) increased by 8.2% to approximately HK$14,746,000 (six months ended 30 September 2008: approximately HK$13,626,000). As at 30 September 2009, the Remaining Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 87%. The building management fee income was approximately HK$151,000 (six months ended 30 September 2008: approximately HK$146,000).

The Remaining Group completed the acquisition of 11 out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) ("Prince Edward Road Building") in October 2008. During the six months ended 30 September 2009, the Remaining Group acquired the remaining one unit of the Prince Edward Road Building at a consideration of HK$9,500,000 and became the owner of the whole building. The Remaining Group intends to re-develop this building. The Company announced on 15 July 2009 that its wholly-owned subsidiary had received and accepted an offer from the Urban Renewal Authority to purchase the Remaining Group's property located at G/F, No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK$47,113,000 plus an allowance of HK$4,711,000. The said disposal of property was subsequently completed on 5 October 2009.

In October 2009, the Remaining Group completed the purchase of all the 6 units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) through the acquisition of the entire issued share capital of Kingbest Capital Holdings Limited. The building is adjacent to its Prince Edward Road Building. The Board intends that both buildings will be redeveloped together.

On 14 October 2009, the Remaining Group entered into two separate conditional sale and purchase agreements with Ms. Lui Yuk Chu, the Vice President and an executive director of the Company, to acquire three investment properties in Singapore and seven investment properties in Hong Kong at an aggregate consideration of HK$227,470,000. The acquisitions were approved by the Shareholders at a special general meeting on 21 December 2009. The Board considers that the acquisitions enabled the Group to expand its property investment portfolio and provide the Group with further potential income from property investment.

Upon completion of the Transaction, the Remaining Group will focus mainly on the property investment and development business. Save for the acquisitions already disclosed, as at the Latest Practicable Date, the Remaining Group has not identified any new property investment or development opportunities.

(ii) Investment in securities

The investment in securities segment contributed approximately HK$28,193,000 to the Remaining Group's profit for the six months ended 30 September 2009 (six months ended 30 September 2008: a loss of approximately HK$56,968,000). The other comprehensive income in relation to the unrealised gain of the available-for-sale investments amounted to approximately HK$30,771,000 for the six months ended 30 September 2009 (six months ended 30 September 2008: unrealized loss of approximately HK$22,922,000). The investment portfolio of the Remaining Group is recognised and carried at fair value on the Remaining Group's financial statements. As at 30 September 2009, the investments held for trading amounted to approximately HK$71,066,000 and the available-for-sale investments amounted to approximately HK$64,662,000 (as at 30 September 2008: approximately HK$113,655,000 and HK$43,355,000 respectively). The realized and unrealized gain in the Remaining Group's investment portfolio during the six months ended 30 September 2009 was mainly attributable to the recovery of the equity markets since the second quarter of 2009.

The Target Companies are not involved in the Group's business of investment in securities. The management considers that investment in securities does not constitute a major business of the Remaining Group and the Remaining Group holds and trade securities solely for investment purpose. The Remaining Group invests primarily in equity securities listed in Hong Kong and is therefore exposed to equity price risk. For details of the Remaining Group's exposure to the equity price risk and its management of this risk, please refer to Note 6(b)(iii) in "Notes to the Financial Information" as contained in Appendix I of this circular.

Upon completion of the Transaction, the Remaining Group intends to continue its business of investment in securities and to maintain its investment focus on Hong Kong listed equity securities.

(iii) Loan financing

Loan financing contributed approximately HK$2,542,000 to the profit of the Remaining Group for the six months ended 30 September 2009 (six months ended 30 September 2008: approximately HK$3,288,000). The income from loan financing includes primarily the interest charged to the borrowers. The decrease in interest income was mainly attributable to the change in loan balance, which decreased from approximately HK$86,068,000 as at 31 March 2009 to approximately HK$69,700,000 as at 30 September 2009 (as at 31 March 2008: approximately HK$134,083,000).

The Remaining Group extends loans to independent third parties located in Hong Kong. The loans are granted for short-term financing and the loan terms are typically between 2 to 12 months. These loans are generally unsecured but are guaranteed by outside parties. The interest rates charged on these loans ranged from 8% to 9.75% for the six months ended 30 September 2009 (year ended 31 March 2008: 6% to 9%). Upon completion of the Transaction, the Remaining Group intends to continue with the loan financing business.

(iv) Garment distribution business in the United States

Based on the pro-forma consolidated statement of comprehensive income of the Remaining Group, adjusted for the total turnover attributable to the property investment business of approximately HK$16,406,000 for the six months ended 30 September 2009, the garment distribution business in the United States contributed approximately HK$16,684,000 to the Remaining Group's turnover for the six months ended 30 September 2009. Upon the completion of the Transaction, the Remaining Group will retain its garment distribution business in the United States. As this business has been making loss since the commencement of business in 2001, the Directors are currently considering various options regarding this part of the business. As at the Latest Practicable Date, the Directors did not have any concrete plans and had not made any arrangements or entered into any agreements in relation to the garment distribution business in the United States. The Directors intend that garment distribution business in the United States will not be a major business of the Remaining Group.

The cash proceeds from the Transaction will provide the Remaining Group with financial resources and the Board intends to look for property investment and development opportunities. As at the Latest Practicable Date, no concrete new property investment or development opportunities had been identified and no agreements or arrangements had been reached in relation to any such opportunities.

Charges on the Remaining Group Assets

The Remaining Group did not have any charges on assets as at 30 September 2009.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

Contingent Liabilities

As at 30 September 2009, the outstanding amount of the Remaining Group's banking facilities (utilised to the extent of approximately HK$11,633,000) was supported by the Company's corporate guarantees given to the bank. Save as disclosed above, the Remaining Group did not have any significant contingent liabilities as at 30 September 2009.

Employee and remuneration policies

As at 30 September 2009, the Remaining Group had approximately 13 and 10 employees in Hong Kong and the US respectively. Staff costs (including directors' emoluments) amounted to approximately HK$6,283,000 for the six months period ended 30 September 2009. The Remaining Group remunerates its employees based on their performance, experience and prevailing industry practice. The Remaining Group has adopted the Mandatory Provident Fund Scheme for the Hong Kong employees and has made contributions to the pension scheme for the US staff. The Remaining Group also had a share option scheme to motivate valued employees.

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 31 October 2009 of the market value of a 100% equity interest in three trading and sourcing companies to be acquired by Easyknit Enterprises Holdings Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

29 January 2010

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

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Easyknit International Holdings Limited and Easyknit Enterprises Holdings Limited (jointly referred to as the "Companies") for us to provide our opinion on the total market value of a 100% equity interest in the following three companies (jointly referred to as the "Appraised Companies"):

1. Easyknit Global Company Limited ("Easyknit Global")

2. Grand Profit Development Limited ("Grand Profit")

3. Easyknit Worldwide Company Limited ("Easyknit Worldwide")

This report describes the background of the Appraised Companies, an industry overview, the basis of valuation and valuation assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

BASIS OF VALUATION

We have conducted our valuation in accordance with the Business Valuation Standards published by the Hong Kong Business Valuation Forum in 2005. Our valuation has been carried out on the basis of market value. Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".

DATE OF VALUATION

We have been instructed by the Companies to value the 100% equity interest in the Appraised Companies as at the date of valuation on 31 October 2009. The date of valuation is the specific point of time as of which our opinion of value applies. As markets and market conditions may change, the estimated value may be inaccurate or inappropriate at another time. The valuation amount will reflect the actual market status and circumstances as at the date of valuation, not as at either a past or future date.

BACKGROUND OF THE APPRAISED COMPANIES

Easyknit Global, Grand Profit and Easyknit Worldwide are private limited companies incorporated in Hong Kong. Their ultimate holding company is Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong. The address of the registered office and the principal place of business of the Appraised Companies is Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, Nos. 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong. The Appraised Companies are engaged in garment sourcing and trading with the main market in the United States.

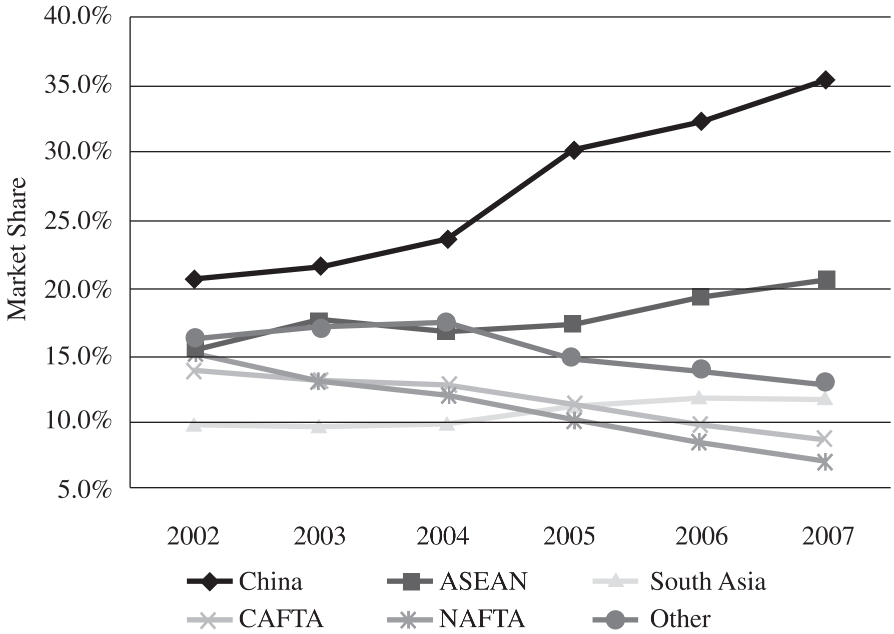
INDUSTRY OVERVIEW

The developed countries, such as the United States (the "US") and those in the European Union (the "EU") are net importers in the sector of textile and clothing as the developing countries enjoy low production cost due to substantially low labor cost and large quantity of labor supply. After the WTO General Agreement on Tariffs and Trade (GATT) has been brought into practice, there was a structural change in the textile and clothing import market of developed countries.

According to the United States Agency for International Development's Report, China is the largest supplier of the textile and apparel to the United States and the European Union. It claimed 35% of the US and EU apparel import markets in 2007, up from 20% in 2002. This rapid growth has been largely at the expense of East Asian producers such as Taiwan, Korea and Hong Kong. More details were shown on the following graphs:

Figure 1

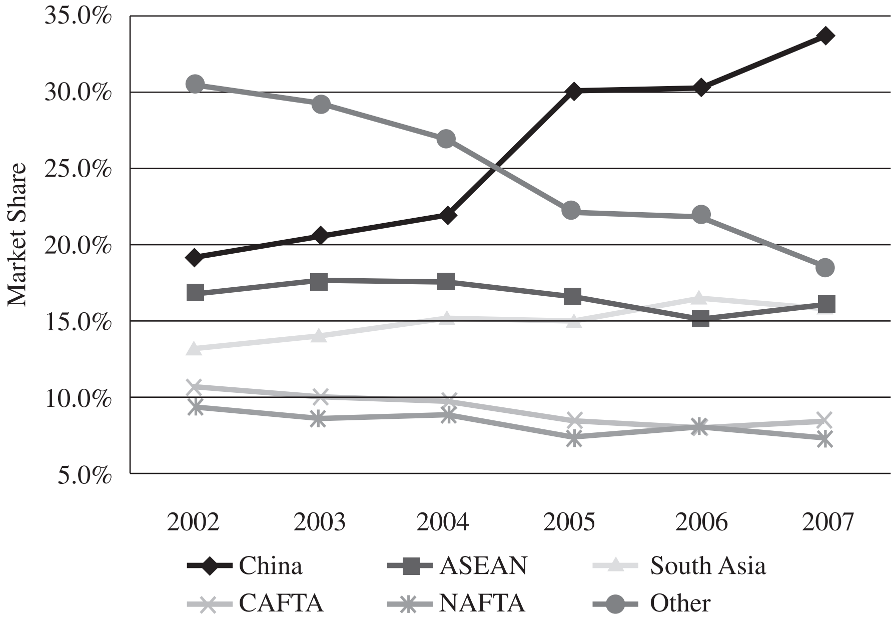
U.S. Market Shares



Source: Data from USITC; analysis by Nathan Associates Inc.

Figure 2

EU Market Shares



Source: Data from Eurostat; analysis by Nathan Associates Inc.

The following two tables give further details about the textile and apparel import markets in the US and the EU. Among the major suppliers, China, Vietnam, Indonesia, India and Bangladesh experienced large increase in their export amount to both areas, especially China whose export amount to the US in 2007 was more than double than the base level in 2004. However, some regional producers, such as Mexico, Honduras and non-regional producers such as Turkey and the Philippines have suffered after the quotas being phasing out.

Table 1: Selected Suppliers of Apparel with more than US$500 Million in Exports to the United States

Country	Base 2002-2004 High Water Mark (US$ millions)	Growth from High Water Mark to 2007 (% change)
China	12,834	104
Vietnam	2,504	72
Indonesia	2,459	66
Bangladesh	1,872	60
India	2,352	40
Honduras	2,743	(6)
Philippines	1,850	(7)
Guatemala	1,965	(25)
Colombia	590	(35)
Mexico	7,680	(39)
Costa Rica	729	(42)
Dominican Republic	2,134	(51)
Turkey	1,297	(55)
Average (large suppliers)	—	18

Source: Data from USITC; Analysis by Nathan Associates Inc.

Table 2: Selected Suppliers of Apparel with more than €500 Million in Exports to the EU

Country	Base 2002-2004 High Water Mark (€ millions)	Growth from High Water Mark to 2007 (% change)
China	12,168	84
Vietnam	682	61
India	2,764	49
Bangladesh	3,691	17
Turkey	7,712	14
Morocco	2,616	(3)
Tunisia	2,902	(11)
Indoesia	1,492	(18)
Mauritius	613	(22)
Romania	3,726	(30)
Average (all large suppliers)	—	24

Source: Data from Eurostat; Analysis by Nathan Associates Inc.

This information shows that the large suppliers, such as China are the winners after the quota abolition while some relative small suppliers lost their market shares. In 2009 and 2008, China further increased its market share in the US and the EU. For textiles, China's market shares were 35.9% and 29.8% (Table 3) in the US and the EU respectively and 39.4% and 42.8% (Table 4) for clothing.

Table 3

China's by value share of US textile and clothing markets (%)

Year	Textiles		Clothing	
	Share	Growth rate	Share	Growth rate
1999	11.9	11.9	13.2	3.9
2000	12.2	15.0	13.3	15.4
2001	12.9	1.7	14.0	3.9
2002	15.8	35.3	15.1	8.7
2003	19.9	35.3	16.9	19.2
2004	22.3	27.0	19.0	19.8
2005	26.9	31.8	26.4	46.9
2006	29.6	14.8	29.4	15.4
2007	31.8	10.1	33.6	16.9
2008	34.1	2.9	34.7	0.2
2009	35.9	(14.9)	39.4	1.6

Source: COMTRADE, except for 2009, which were estimated using Otexa data for the first quarter of 2009

Table 4

Changes in China's by value share of EU-27 textile and clothing markets (%)

Year	Textiles		Clothing	
	China's share	Growth rate	China's share	Growth rate
2001	12.5	1.2	21.8	4.4
2002	14.5	16.0	23.8	15.8
2003	16.7	32.4	25.2	27.6
2004	19.1	36.3	26.9	25.1
2005	23.4	25.3	35.3	43.4
2006	25.6	21.7	35.0	12.6
2007	27.1	21.0	38.3	24.0
2008	29.8	12.5	42.8	23.4

Source: Import data from COMTRADE

SOURCE OF INFORMATION

For the purpose of our valuation, we were furnished with the financial and operational information of the Appraised Companies, which were provided by the senior management of the Companies.

The valuation required consideration of all pertinent factors affecting the economic benefits of the Appraised Companies and their abilities to generate future investment returns. The factors considered in our valuation included, but were not limited to, the following:

- The business nature and characteristics of the Appraised Companies including operational activities, the overall industry and the market condition where the Appraised Companies currently operate or will operate;
- The financial and operational information of the Appraised Companies;
- The specific economic environment and competition for the market in which the Appraised Companies currently operate or will operate;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks related to the Appraised Companies, including the continuity of revenues and incomes and the projected future results.

SCOPE OF WORKS

In the course of our valuation work, we have conducted the following processes to evaluate the reasonableness of the adopted basis and assumptions provided by the senior management of the Companies:

- Interviewed with the senior management of the Companies;
- Obtained all relevant financial and operational information of the Appraised Companies;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information of the Appraised Companies, which were provided by the senior management of the Companies;
- Prepared a valuation model to derive the indicated total value of the 100% interest in the Appraised Companies; and
- Presented all relevant information on the background of the Appraised Companies, an industry overview, source of information, scope of works, valuation assumptions, valuation methodology, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Due to the changing environment in which the Appraised Companies currently operate or will operate, a number of assumptions had to be established in order to sufficiently support our concluded value. The major assumptions adopted in our valuation are:

- There will be no material change in the existing political, legal, fiscal, technological, market and economic conditions in the jurisdiction where the Appraised Companies currently operate or will operate, which will affect the revenues and incomes being generated;

- There will be no material change in the taxation laws and regulations in the jurisdiction where the Appraised Companies currently operate or will operate, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- Exchange rates and interest rates will not differ materially from those presently prevailing and market and economic conditions will not deviate significantly from that of forecasts;

- Economic conditions will not deviate significantly from economic forecasts;

- The core business operations of the Appraised Companies will not differ materially from those at present or expected;

- The financial and operational information in respect of the Appraised Companies have been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Companies.

We consider these assumptions are reasonable and reliable.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the Appraised Companies. They are the *cost approach*, the *market approach* and the *income approach*.

The *cost approach* provides indications of value by studying the amounts required to recreate the business for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future operational capability of the business.

Under the cost approach, the historic cost approach measures the costs incurred through the construction or development of the business at the time it was constructed or developed; the replication cost approach measures the amount of investment needed to develop a similar business at the present time; and the replacement cost approach measures the amount of money that would be needed to construct or develop the business as it currently exists.

The *market approach* provides indications of value by comparing the target subjected to valuation to similar businesses, business ownership interests and securities that have been sold in the market, with appropriate adjustments for the differences between the target subjected to valuation and the comparable companies.

Under the market approach, the guideline company method computes a value multiple for each publicly listed comparable company and then applies the result to a base to arrive at an indication of value. The sales comparison method computes the value multiple using recent sales and purchase transactions of comparable companies to arrive at an indication of value.

The *income approach* is the conversion of expected periodic benefits of an ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar company with a similar risk profile.

We have considered that the income approach is not appropriate to value the Appraised Companies, as there are insufficient and reliable forecasted financial and operational data of the Appraised Companies. Moreover, the income approach may involve adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained. In the event of any such assumptions are founded to be incorrect or unfounded, the valuation result would be significantly affected. The cost approach is also regarded inadequate in this valuation, as this approach does not take future growth potential of the Appraised Companies into consideration. Thus, we have determined that the market approach is the most appropriate valuation approach for this valuation.

The market approach refers to either comparable company analysis, an attempt to measure value by employing the market values of public companies possessing attributes similar to the appraised company as benchmarks, or transaction multiple technique, with which similar acquisitions or divestitures are identified and the multiples implied by the purchase prices are used to assess the appraised company's value. Considering the listed company purely engaged in garment trading and sourcing is not available for comparison purposes and we then used the market approach by referring to recent acquisition transactions of the sourcing and trading companies.

The comparable transactions were selected based on the following criteria:

1. The transactions which took place from 2007 up to now were examined.

2. The target companies are principally engaged in trading and sourcing businesses in the garment industry.

3. The target companies operate on a global basis.

According to our market research, there are no other trading and sourcing company acquisition transaction that may be comparable to the Appraised Companies and have sufficient information available for our valuation purposes, except for Li & Fung Limited (referred to as the "Li & Fung"). Li & Fung is one of the world's leading buying agencies for consumer goods, managing the supply chain for retailers and brands worldwide and committed to pursue its acquisition strategy for years. Therefore, we consider the acquisitions of trading and sourcing companies undertaken by Li & Fung represent reasonable indicators for fair market values of such companies.

We examined all 18 transactions undertaken by Li & Fung from 2007 up to now and taking into account the similarity between the businesses of those acquisition targets and that of the Appraised Companies, 5 transactions (referred to as the "Transactions") related to the garment and apparel sourcing business acquisitions were selected.

Details of the Transactions are as follows:

	Announcement Date	**Acquirer**	**Target**
1	10 February 2007	Li & Fung	Global sourcing operations of Tommy Hilfiger
2	13 August 2008	Li & Fung	Sourcing businesses of Van Zeeland Inc.
3	19 October 2009	Li & Fung	Sourcing businesses of Wear Me Apparel, LLC.
4	23 February 2009	Li & Fung	Sourcing operations of Liz Claiborne, Inc.
5	July 2008	Li & Fung	RT Sourcing

To the best of our knowledge, we considered the Transactions were exhaustive. Among all the transactions examined, we have to exclude those transactions with insufficient information available for valuation purposes, lack of disclosure of historical earnings for example.

For the acquisition of sourcing operations of Liz Claiborne Inc., only sourcing volume for the fiscal year 2007 attributable to the sourcing operations under acquisition was disclosed. Meanwhile, only the actual turnover of 2007 was disclosed for Li & Fung's acquisition of RT Sourcing. Therefore, these two transactions were excluded in our selection of comparable transactions.

Taking into account the nature of the Transactions, the similarity of the Transactions and the acquisition of the Appraised Companies and the availability of relevant information, 3 out of the 5 transactions were selected as the comparable transactions (referred to as the "Comparable Transactions"). The Comparable Transactions were selected according to the availability of the key parameters for our valuation purposes, i.e. historical earnings after tax, and the sample size is considered adequate together with basis. Details of the Comparable Transactions are as follows:

Announcement Date	**Acquirer**	**Target**	**Business Activities**	**% of Acquisition**
10 February 2007	Li & Fung	Global sourcing operations of Tommy Hilfiger	Tommy Hilfiger is one of the largest and most globally developed designer brands in the world and has attained a unique positioning as a premium American lifestyle brand. Tommy Hilfiger focuses on menswear, womenswear, jeanswear and childrenswear. The seller sources the merchandise from Hong Kong, Taiwan, India, Bangladesh, Sri Lanka, Tunisia, USA and Honduras.	100%
13 August 2008	Li & Fung	Sourcing businesses of Van Zeeland Inc.	Van Zeeland is engaged in the business designing, arranging for the design and production sourcing of, importing, marketing and selling women's branded and private label handbags, purses and related accessories.	100%
19 October 2009	Li & Fung	Sourcing businesses of Wear Me Apparel, LLC.	Wear Me Apparel, LLC is a leading designer, marketer and seller of young men's and children's apparel in the USA and manages a portfolio of licensed national brands, proprietary brands, private labels and character licenses, including Calvin, Marvel, Nickelodeon, Warner Brothers and Hasbro, with a distribution channel from traditional and mid-tier department stores to mass merchants including Macy's, Kohl's and Wal-Mart.	100%

We consider the three transactions to be relevant comparables for our assessment of the market value of the Appraised Companies. The businesses of the Comparable Transactions are closely similar to the business of the Appraised Companies in terms of nature of business (being sourcing and trading) as well as product and customer profiles. The above, coupled with the transparent and open nature of the garment market, renders the three transactions representative and sufficient for our assessment.

The businesses of the sellers of the Comparable Transactions are closely related to the garment industry all over the world, which is considered to be similar to the business of the Appraised Companies. Although there are only 3 transactions which were selected as the Comparable Transactions, we considered such 3 transactions to be the most representative and relevant comparables for our assessing the market value of the Appraised Companies.

In the valuation, we used the consideration price to earnings after tax (referred to as the "Consideration/Earnings") multiples of the Comparable Transactions to determine the market value of the Appraised Companies. The latest profits after tax of the acquired businesses prior to the announcement dates of the Comparable Transactions based on the audited accounts as extracted from the announcements/circulars issued by the Li & Fung were adopted in our valuation. Details of the Consideration/Earnings multiples adopted are as follows:

Note	Announcement Date	Target	Consideration (US$)	Earnings (US$)	Consideration/ Earnings
1	10 February 2007	Global sourcing operations of Tommy Hilfiger	247,800,000	31,000,000	7.99
2	13 August 2008	Sourcing businesses of Van Zeeland Inc.	330,000,000	38,000,000	8.68
3	19 October 2009	Sourcing businesses of Wear Me Apparel, LLC.	101,800,000	11,900,000	8.55
				Average:	**8.41**

Notes:

1. Circular issued by Li & Fung on 2 March 2007;

2. Circular issued by Li & Fung on 2 September 2008;

3. Announcement issued by Li & Fung on 19 October 2009.

Having considered that the Consideration/Earnings multiples of the Comparable Transactions remained stable over the past 3 years, we are of the view that the average Consideration/Earnings multiple is able to provide a reasonable benchmark for our accessing the value of the Appraised Companies.

The average Consideration/Earnings multiple of 8.41 was applied to the Appraised Companies' combined net profit of HK$10,658,000 for the year ended 31 March 2009, which was calculated by aggregating the profits of the Appraised Companies and adjusting for inter-company transaction.

COMMENTS

For the purpose of our valuation and in arriving at our opinion of value, we referred to the information provided by the senior management of the Companies. We have also sought and received confirmation from the Companies that no material facts were omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers.

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Companies, the Appraised Companies or us.

Based on our investigation and analysis outlined in this report, our opinion on the total market value of 100% equity interest in the Appraised Companies as at 31 October 2009 was HK$89,600,000 (HONG KONG DOLLARS EIGHTY NINE MILLION AND SIX HUNDRED THOUSAND ONLY).

We hereby certify that we have neither present nor prospective interest in the Companies, the Appraised Companies or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ), FCIM, FRSM, SICME, SIFM, MHKIS, MCIArb, AFA, MASCE, MIET, MIEEE, MASME, MIIE, MASHRAE, MAIC
Managing Director

Marco T. C. Sze
B.Eng(Hon), PGD(Eng), MBA(Acct), CFA, AICPA/ABV, RBV
Director

Notes:

1. Dr. Tony C. H. Cheng serves as the Chairman of Institute of Mechanical Engineers, China and is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has over 5 years' experience in valuing similar assets or companies engaged in similar business activities as those of the Appraised Companies worldwide.

2. Mr. Marco T. C. Sze is a holder of Chartered Financial Analyst, a member of the American Institute of Certified Public Accountants (AICPA) and is accredited in Business Valuation by the AICPA. In addition, he is a Registered Business Valuer under the Hong Kong Business Valuation Forum. He has over 3 years' experience in valuing similar assets or companies engaged in similar business activities as those of the Appraised Companies worldwide.

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

(a) Interests in the Company:

Name of Director	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interest
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:

1. *Easyknit Enterprises*

Name of Director	Capacity	Number of issued ordinary shares held (long position)	Approximate percentage of interest
Ms. Lui Yuk Chu (*Note ii)*	Beneficiary of a trust	116,395,325	31.7%

Note (ii): These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits 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. *Wellmake Investments Limited ("Wellmake") (Note a)*

Name of Director	Capacity	Number of non-voting deferred shares (long position)	Approximate percentage of interest
Ms. Lui Yuk Chu	*(Note b)*	2	100.0%

Note (iii)

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

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

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

3. SUBSTANTIAL SHAREHOLDERS

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

Name of substantial shareholder	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interest
Koon Wing Yee *(note a)*	Interest of spouse	291,794,804	36.74%
Magical Profits Limited *(notes a and b)*	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited *(note a)*	Interest of controlled corporation	291,794,804	36.74%
Hang Seng Bank Trustee International Limited *(notes a and c)*	Trustee	291,794,804	36.74%
Hang Seng Bank Limited *(note c)*	Interest of controlled corporation	291,794,804	36.74%
The Hongkong and Shanghai Banking Corporation Limited *(notes c and d)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings BV *(note d)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings (UK) *(note d)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings BV *(note d)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Finance (Netherlands) *(note d)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings plc *(note d)*	Interest of controlled corporation	291,794,809	36.74%

Notes:

(a) 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.

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

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

(d) 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 and Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

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

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 CHANGE

Save as referred to in the profit warning announcement of the Company dated 10 June 2009, the Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 31 March 2009, being the date to which the latest published audited accounts of the Group were made up.

7. COMPETING INTERESTS

Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, the executive Directors of the Company, also serve as the executive directors of Easyknit Enterprises, of which the Company is indirectly interested in approximately 31.70% of the issued share capital. Mr. Tse Wing Chiu, Ricky, the non-executive Director of the Company, is also a non-executive director of Easyknit Enterprises. As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group and/or Easyknit Enterprises and/or the subsidiaries of Easyknit Enterprises.

The Group has been carrying on property investment and development businesses since 1996. As disclosed in the interim report of Easyknit Enterprises for the six months ended 30 September 2009, Easyknit Enterprises has entered into the property investment business during that financial year. The Directors consider that the property investment business conducted by Easyknit Enterprises will not have material competition with the property investment and development businesses of the Group as the Group engages in larger scale property investment and development projects, whereas Easyknit Enterprises invests in individual property units for rental income. The Group had not identified any property investment and development opportunity as at the Latest Practicable Date.

8. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the Directors, other than (i) the acquisition from Ms. Lui Yuk Chu, an executive Director and the Vice President of the Company, of the entire issued share capital of Grow Well Profits Limited and an interest free loan owed by Grow Well Profits Limited to Ms. Lui Yuk Chu; and (ii) the acquisition from Ms. Lui Yuk Chu of the entire issued share capital of Supertop Investment Limited, 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 2009, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

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

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 conditional undertaking letter dated 5 November 2008 ("2008 Undertaking") executed by Landmark Profits Limited ("Landmark Profits") in favour of Easyknit Enterprises ("EE") and Get Nice Securities Limited in relation to the allotment and issue of 667,499,000 new shares of EE under an offer by way of rights to holders of shares in EE at HK$0.15 per rights share in the proportion of ten EE rights shares for every share in EE held ("2008 EE Rights Issue") pursuant to which Landmark Profits conditionally undertook, inter alia, that the shares in EE held by it on the date of the 2008 Undertaking would remain registered in its name as at 4:00 p.m. on the record date (i.e. 24 December 2008) of the 2008 EE Rights Issue and that the EE rights shares to be provisionally allotted to Landmark Profits in respect of such shares in EE (representing 211,627,870 EE rights shares) would be taken up and paid for in full by Landmark Profits;

b) the conditional undertaking letter dated 17 August 2009 ("2009 Undertaking") executed by Landmark Profits in favour of EE and Kingston Securities Limited in relation to the allotment and issue of 293,699,560 new shares of EE under an offer by way of rights to holders of shares in EE at HK$0.38 per rights share in the proportion of four EE rightsshares for every share in EE held ("2009 EE Rights Issue") pursuant to which Landmark Profits conditionally undertook, inter alia, that the shares in EE held by it on the date of the 2009 Undertaking would remain registered in its name as at 4:00 p.m. on the record date (i.e. 13 October 2009) of the 2009 EE Rights Issue and that the EE rights shares to be provisionally allotted to Landmark Profits in respect of such shares in EE (representing 93,116,260 EE rights shares) would be taken up and paid for in full by Landmark Profits; and

c) the Sale and Purchase Agreement.

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. EXPERTS AND CONSENTS

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

Name	Qualification
BMI Appraisals Limited	independent professional valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts did not have:

(a) any direct or indirect interest in any assets which have been, since 31 March 2009 (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; and

(b) 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.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which it appears.

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 registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;

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

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

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 letters of consent referred to in the paragraph headed "Experts and consents" above;

(c) the accountants' report on the financial information of the Company for the three years ended 31 March 2009 and the six months ended 30 September 2009 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Part 1 of Appendix I to this circular.

(d) the accountants' report on the unaudited pro forma financial information of the Remaining Group after the Transaction prepared by Deloitte Touche Tohmatsu, the text of which is set out in Part 2 of Appendix II to this circular;

(e) the audited consolidated financial statements of the Company for each of the three years ended 31 March 2009;

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

(g) the valuation report prepared by BMI Appraisals Limited, the text of which is set out in Appendix IV of this circular; and

(h) this circular.

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

(incorporated in Bermuda with limited liability)
(Stock Code: 1218)

NOTICE IS HEREBY GIVEN that a special general meeting of 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, 17 February 2010 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed (with or without amendment) as ordinary resolutions:-

ORDINARY RESOLUTIONS

1. "**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from 9:30 a.m. on 18 February 2010 (Hong Kong time):

   (a) every ten (10) existing ordinary shares of par value HK$0.01 each in the issued and unissued share capital of the Company be consolidated ("Share Consolidation") into one (1) ordinary shares of par value HK$0.10 each ("Consolidated Share(s)");

   (b) all of the Consolidated Shares resulting from the Share Consolidation shall rank pari passu in all respects and have the rights and privileges and be subject to the restrictions contained in the bye-laws of the Company ("Bye-laws");

   (c) the board lot size for trading in the shares of the Company be changed from 5,000 existing ordinary shares to 1,000 Consolidated Shares after the Share Consolidation becoming effective; and

   (d) the directors of the Company be and are hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which they consider necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Share Consolidation."

* *For identification only*

2. “**THAT** the sale and purchase agreement dated 3 December 2009 entered between Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, as vendor and Quick Easy Limited, a wholly-owned subsidiary of Easyknit Enterprises Holdings Limited, as purchaser, in relation to the sale and purchase of 2 shares of HK$1 each in the issued share capital of Easyknit Global Company Limited, 2 shares of HK$1 each in the issued share capital of Easyknit Worldwide Company Limited and 2 shares of HK$1 each in the issued share capital of Grand Profit Development Limited, together representing the entire issued share capital of each of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited, at a consideration of HK$80 million (the “Sale and Purchase Agreement”, a copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) be and is hereby generally and unconditionally ratified and approved and the directors of the Company be and are hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which they consider necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Sale and Purchase Agreement and any of the transactions contemplated thereunder.”

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

Hong Kong, 29 January 2010

Notes:

1. Any shareholder of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by duly authorised corporate representative or by proxy. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise.

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 branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time for holding the meeting or 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 any 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 any 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. Several executors or administrators of a deceased shareholder in whose name any share stands shall for the purposes of the bye-laws of the Company be deemed joint holders thereof.

6. A form of proxy for use at the meeting is enclosed.

7. All resolutions will be voted on by way of poll.