IMPORTANT

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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

If you have sold or transferred all your shares in Easyknit Enterprises Holdings Limited ("Company"), you should at once hand this Prospectus and the accompanying provisional allotment letter and the form of application for excess Rights Shares, to the purchaser(s) or transferee(s), or bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Dealings in the shares of the Company may be settled through the Central Clearing and Settlement System ("CCASS") operated by Hong Kong Securities Clearing Company Limited ("HKSCC") and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of this Prospectus, together with the provisional allotment letter and the form of application for excess Rights Shares and the written consent of Deloitte Touche Tohmatsu (referred to herein) have been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. A copy of this Prospectus will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms 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.

Easyknit Enterprises Holdings Limited
永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 616)

RIGHTS ISSUE OF 293,699,560 RIGHTS SHARES OF HK$0.01 EACH AT HK$0.38 PER RIGHTS SHARE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY SHARE HELD

Underwriter of the Rights Issue

KINGSTON SECURITIES LIMITED

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

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

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

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

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

If, at or prior to 4:00 p.m. on the Settlement Date:

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

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

(iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention, fail promptly to send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

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

Dealings in the Rights Shares in their nil-paid form will take place from Friday, 16 October 2009 to Friday, 23 October 2009 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any Shareholders dealing in the Shares or nil-paid Rights Shares during the period from Friday, 16 October 2009 to Friday, 23 October 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in the nil-paid form during such periods who are in any doubt about their position are recommended to consult their professional advisers. The latest time for acceptance of and payment for the Rights Shares is at 4:00 p.m. on Thursday, 29 October 2009. The procedures for acceptance or transfer of the Rights Shares are set out on pages 15 to 16 of this Prospectus.

* *For identification only*

14 October 2009

CONTENT

Page

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

"Acceptance Date and Time"	4:00 p.m. on 29 October 2009 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment for, Rights Shares)
"acting in concert"	the meaning ascribed thereto in the Takeovers Code
"Announcement"	the announcement of the Company dated 25 August 2009 relating to the Capital Reorganisation and the Rights Issue
"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
"Capital Reorganisation"	the Issued Capital Reduction, the Share Consolidation, the Share Premium Reduction and the Set-Off against Accumulated Losses, which became effective at 9:30 a.m. on 14 October 2009
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chancemore"	Chancemore Limited, a company incorporated under the laws of the British Virgin Islands, an indirect wholly-owned subsidiary of the Company
"Clever Wise"	Clever Wise Holdings Limited, a company incorporated under the laws of the British Virgin Islands, an indirect wholly-owned subsidiary of the Company
"Company" or "Easyknit Enterprises"	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of 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)
"connected persons"	the meaning ascribed thereto in the Listing Rules
"Director(s)"	director(s) of the Company

"EAF(s)"	the excess application form(s) for application for excess Rights Shares issued to the Qualifying Shareholders in connection with the Rights Issue
"Easyknit International"	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
"Group"	the Company and its subsidiaries
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huzhou Project"	the development and construction of garment, bleaching, dyeing, knitting manufacturing operations and a waste water treatment plant on the land of about 632 mu in area located at the west of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC and the south of Hongtang Harbour, the PRC
"Independent Shareholders"	Shareholders other than Landmark Profits and its associates
"Independent Third Party(ies)"	independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or their respective associates
"Issued Capital Reduction"	the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK$0.009 on each issued Old Share such that the nominal value of each of the issued Old Shares was reduced from HK$0.01 to HK$0.001
"Landmark Profits"	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, which is the beneficial owner of 232,790,657 Old Shares, representing approximately 31.7% of the issued Shares of the Company and is a controlling shareholder of the Company
"Last Trading Day"	17 August 2009, being the last trading day before the suspension of the trading in the Shares, pending the release of the Announcement
"Latest Practicable Date"	9 October 2009, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Non-Qualifying Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
"Old Share(s)"	share(s) of HK$0.01 each in the share capital of the Company before the Capital Reorganisation became effective
"Overseas Shareholders"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of the business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue
"Posting Date"	14 October 2009 (the date of despatch of the Prospectus Documents to the Qualifying Shareholders)
"PRC"	the People's Republic of China which, for the purpose of this Prospectus, excludes Hong Kong, Macau and Taiwan
"Prospectus Documents"	this Prospectus, the PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
"Record Date"	13 October 2009 (the date by reference to which entitlements to the Rights Issue were determined)
"Reduced Share(s)"	issued shares of HK$0.001 each in the capital of the Company upon completion of the Issued Capital Reduction and before the Share Consolidation
"Registrar"	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

"Rights Issue"	the issue by the way of rights of four (4) Rights Shares for every Share held on the Record Date (assuming the Capital Reorganisation became effective on the Record Date) at a subscription price of HK$0.38 per Rights Share
"Rights Share(s)"	the 293,699,560 new Share(s) provisionally allotted under the Rights Issue
"Set-Off against Accumulated Losses"	the transfer of the credit amount arising from the Issued Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company, and the application of the appropriate amounts therein to set-off against the total accumulated losses of the Company
"Settlement Date"	3 November 2009 being the third Business Day following the Acceptance Date and Time (or such later date as the Underwriter and the Company may agree in writing)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company held on Tuesday, 13 October 2009 at which the resolutions to approve the Capital Reorganisation and the Rights Issue were passed
"Share Consolidation"	the consolidation of every 10 issued Reduced Shares of HK$0.001 each into one Share of HK$0.01 each
"Shareholder(s)"	holder(s) of Old Share(s) or Share(s) (as the case may be)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Premium Reduction"	the reduction of the entire amount standing to the credit of the share premium account of the Company to nil
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.38 per Rights Share under the Rights Issue
"subsidiaries"	the subsidiaries (as "subsidiary" is defined in the Listing Rules) of the Company
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Undertaking"	the conditional irrevocable undertaking dated 17 August 2009 from Landmark Profits to the Company and the Underwriter as described in the section headed "Undertaking from Landmark Profits" in this Prospectus
"Underwriter"	Kingston Securities Limited, a deemed licensed corporation to carry out business in type 1 (dealing in securities) regulated activities under the SFO
"Underwriting Agreement"	the underwriting agreement dated 17 August 2009, as supplemented by a side letter dated 21 August 2009, entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%" or "per cent."	percentage or per centum

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Number of Rights Shares to be issued:	293,699,560 Rights Shares
Amount to be raised:	approximately HK$111.6 million before expenses, and approximately HK$109.0 million after expenses
Subscription price:	HK$0.38 per Rights Share payable in full on acceptance
Latest time for acceptance:	4:00 p.m. on Thursday, 29 October 2009
Basis of the Rights Issue:	four (4) Rights Shares for every Share held on the Record Date (assuming the Capital Reorganisation became effective on the Record Date)
Right of excess applications:	Qualifying Shareholders have the right to apply for Rights Shares in excess of their provisional allotments

TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

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

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

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

If, at or prior to 4:00 p.m. on the Settlement Date:

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

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

(iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention fail promptly to send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

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

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue. The timetable is subject to change in accordance with the agreement between the Company and the Underwriter. The Company will notify the Shareholders of any changes to the expected timetable as and when appropriate.

Record Date	Tuesday, 13 October 2009
Register of members re-opens	Wednesday, 14 October 2009
Despatch of Prospectus Documents	Wednesday, 14 October 2009
First day of dealings in nil-paid Rights Shares	Friday, 16 October 2009
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Tuesday, 20 October 2009
Last day of dealings in nil-paid Rights Shares	Friday, 23 October 2009
Latest time for acceptance of the Rights Issue as well as application for excess Rights Shares and payment of consideration thereof	4:00 p.m. on Thursday, 29 October 2009
Latest time for Rights Issue and Underwriting Agreement to become unconditional	4:00 p.m. on Tuesday, 3 November 2009
Announcement of results of acceptance and excess applications of the Rights Issue	Wednesday, 4 November 2009
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Thursday, 5 November 2009
Despatch of certificates for fully-paid Rights Shares	Thursday, 5 November 2009
First day of dealings in fully-paid Rights Shares	Monday, 9 November 2009

Dates or deadlines specified for events in this timetable for (or otherwise in relation to) the Rights Issue refer to Hong Kong local time and are indicative only and may be varied by agreement between the Company and the Underwriter.

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

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

- a tropical cyclone warning signal number 8 or above, or

- a “black” rainstorm warning

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

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

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

Easyknit Enterprises Holdings Limited
永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 616)

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

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

Independent Non-executive Directors:
Mr. Kan Ka Hon
Mr. Lau Sin Ming
Mr. Foo Tak Ching

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

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

14 October 2009

To the Qualifying Shareholders, and
for information only, the Non-Qualifying Shareholders

Dear Sir or Madam,

RIGHTS ISSUE OF 293,699,560 RIGHTS SHARES OF HK$0.01 EACH AT HK$0.38 PER RIGHTS SHARE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY SHARE HELD

INTRODUCTION

On 25 August 2009, the Company announced that, among other things the Company proposes to raise approximately HK$111.6 million before expenses by way of the rights issue of 293,699,560 Rights Shares at a subscription price of HK$0.38 per Rights Share on the basis of four (4) Rights Shares for every Share held on the Record Date (on the assumption that the Capital Reorganisation had already become effective). The Capital Reorganisation was approved at the SGM and became effective at 9:30 a.m. on Wednesday, 14 October 2009.

* *For identification only*

As at the Latest Practicable Date, the Company had 734,248,900 Old Shares in issue which were consolidated into 73,424,890 Shares upon the Capital Reorganisation becoming effective. The Company has no outstanding options, warrants, or other securities convertible into or giving rights to subscribe for Old Shares.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue is subject to approval from Independent Shareholders at the SGM. On Tuesday, 13 October 2009, the ordinary resolution approving the Rights Issue was duly passed by the Independent Shareholders by way of poll at the SGM. The purpose of this Prospectus is to provide you with details of the Rights Issue, including information on dealing and transfer of the Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotments of Rights Shares and certain financial information of the Group.

TERMS OF THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	four (4) Rights Shares for every Share held on the Record Date (assuming the Capital Reorganisation had become effective on the Record Date)
Number of Shares in issue after the Capital Reorganisation becoming effective	:	73,424,890 Shares
Number of Rights Shares	:	293,699,560 Rights Shares
Subscription price per Rights Share	:	HK$0.38
Price per Rights Share to be received by the Company net of expenses	:	approximately HK$0.37

The number of Rights Shares to be issued pursuant to the Rights Issue represents four times the Company's issued share capital immediately after the Capital Reorganisation and 80.0% of the Company's enlarged issued share capital immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue.

As at the Latest Practicable Date, the Company did not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders, for their information only, but the Company will not send the PAL and EAF to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, an investor must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

Subscription Price

The Subscription Price for the Rights Shares is HK$0.38 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or, where applicable, on application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. Such Subscription Price represents:

	Before the Capital Reorganisation	**After the Capital Reorganisation**	**Premium / (Discount)**
	HK$	*HK$*	*(%)*
Subscription Price	0.038	0.38	
(a) Closing price per Old Share quoted on the Stock Exchange on the Latest Practicable Date	0.055	0.55	(30.9)
(b) Closing price per Old Share quoted on the Stock Exchange on the Last Trading Day	0.125	1.25	(69.6)
(c) Theoretical ex-rights price calculated based on the closing price per Old Share quoted on the Stock Exchange on the Last Trading Day	0.055	0.55	(30.9)
(d) Average closing price per Old Share for the last 5 full trading days quoted on the Stock Exchange up to and including the Last Trading Day	0.131	1.31	(71.0)
(e) Average closing price per Old Share for the last 10 full trading days quoted on the Stock Exchange up to and including the Last Trading Day	0.133	1.33	(71.4)
(f) Net asset value per Old Share based on the audited net asset value of the Group of approximately HK$356,580,000 as at 31 March 2009 as stated in the annual report of the Company for the year ended 31 March 2009 and 734,248,900 Old Shares in issue at the Latest Practicable Date	0.486	4.86	(92.2)

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the scale of the Rights Issue, historical price trends and recent market prices of the Shares.

The Directors note the discounts set out above. However, taking into consideration the benefits of the Rights Issue as discussed below in the paragraph headed "Reasons for the Rights Issue and the use of proceeds", the Directors consider the terms of the Rights Issue, including the Subscription Price, and the underwriting commission, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of provisional allotment is four (4) Rights Shares for every Share held on the Record Date (assuming the Capital Reorganisation had become effective on the Record Date), being 293,699,560 Rights Shares, at the subscription price of HK$0.38 per Rights Share. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, one share certificate for all fully-paid Rights Shares are expected to be posted on or before Thursday, 5 November 2009 to each of those who have accepted or (where applicable) applied for, and paid for the Rights Shares, by ordinary post, at their own risk.

Refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 5 November 2009 by ordinary post to the applicants at their own risk.

Status of the Rights Shares

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

Fractions of Rights Shares

Fractional entitlements, if any, to Rights Shares will not be allotted or issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company. Any unsold Rights Shares arising out of the aggregation of fractions of Rights Shares will be available for excess application on EAFs by Qualifying Shareholders.

Rights Shareholders with registered addresses outside Hong Kong

No person receiving this Prospectus or the PAL or the EAF in any territory outside Hong Kong may treat it as an offer or invitation to take up Rights Shares or apply for excess Rights Shares, except in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of persons outside Hong Kong wishing to take up or make an application for Rights Shares to satisfy themselves, before accepting any provisional allotment of Rights Shares or applying for excess Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith without prejudice to the foregoing. The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that doing so would or may violate applicable securities legislations or other laws or regulations of any jurisdiction.

Based on the register of members of the Company as at the Latest Practicable Date, there were 2 Shareholders with registered addresses in Malaysia, and 2 Shareholders with registered addresses in Macau.

Based on a legal opinion obtained from the Company's legal advisers in Malaysia, the offering of the Rights Issue to the Overseas Shareholders in Malaysia is not prohibited under applicable Malaysian laws but is subject to certain requirements involving the lodging of the circular of the Company dated 11 September 2009 and the Prospectus Documents with the relevant authorities. Accordingly, the circular of the Company dated 11 September 2009 and the Prospectus Documents will be filed with the Securities Commission of Malaysia. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Malaysia.

The Company has also been advised by its legal advisers on the laws of Macau that there is no legal restriction under the applicable legislation of Macau or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in Macau. In view of this, the Directors have also decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Macau.

Such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders.

For the purposes of the Rights Issue, the Company therefore does not, as at the Latest Practicable Date, have any Non-Qualifying Shareholders.

Procedure for acceptance or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If the Qualifying Shareholders wish to exercise their right to subscribe for all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, by no later than 4:00 p.m. on Thursday, 29 October 2009. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Easyknit Enterprises Holdings Limited — Rights Issue Account**" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Thursday, 29 October 2009, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions in the PAL.

The Company reserves the right to refuse to act on any acceptance of provisional allotments of Rights Shares and to refuse to accept any application for excess Rights Shares where it believes that in doing so would or may violate the applicable securities legislations or other laws or regulations of any jurisdiction.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer all of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL to more than one person, the entire PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Tuesday, 20 October 2009 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to their registered addresses at the risk of such applicants on or before Thursday, 5 November 2009.

Application for excess Rights Shares

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

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, by no later than 4:00 p.m. on Thursday, 29 October 2009. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**Easyknit Enterprises Holdings Limited — Excess Application Account**" and crossed "Account Payee Only". The Registrar will notify the Qualifying Shareholders of any allotment of excess Rights Shares made to them, which will be at the discretion of the Directors on a fair and equitable basis. The Directors will allocate the excess Rights Shares at their discretion with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available on a fair and equitable basis on the following principles:

(i) preference will be given to applications for topping-up odd lot holdings to whole lot holdings; and

(ii) subject to availability of the excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro-rata basis based on the excess Rights Shares applied for by them, with board lot allocations to be made on best efforts' basis.

Investors with their Shares held by nominee(s) should note that the nominee is a single Shareholder for the purposes of the Rights Issue. Accordingly, investors whose Shares are registered in the names of nominees should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually.

The latest time for acceptance of Rights Shares and the application for excess Rights Shares as well as respective payment thereof is expected to be at 4:00 p.m. on Thursday, 29 October 2009, or such later date or time as may be agreed between the Company and the Underwriter.

If no excess Rights Shares are allotted to an applicant for excess Rights Shares or the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on the Settlement Date, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post to the registered addresses at the risk of such applicants on or before Thursday, 5 November 2009.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

Listing and dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal on the Stock Exchange in the Rights Shares, in both their nil-paid and fully-paid forms. Dealings in the Rights Shares in their nil paid form will commence on Friday, 16 October 2009 and will end on Friday, 23 October 2009, both days inclusive.

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

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

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

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 2,000, registered in the branch register of members of the Company in Hong Kong, will be subject to the payment of stamp duty in Hong Kong.

Conditions of the Rights Issue

The Rights Issue was conditional upon each of the following:

1. the passing of resolutions at the SGM to approve the Rights Issue and the Capital Reorganisation;

2. the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required by law to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance, the Companies Act and the Listing Rules;

3. the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;

4. compliance by the Company with certain obligations under the Underwriting Agreement;

5. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms prior to commencement of dealings of the Rights Shares in nil-paid form, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on the Settlement Date;

6. if required, the Bermuda Monetary Authority granting its consent to the issue of Rights Shares;

7. the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;

8. delivery by the Company to the Underwriter of the Undertaking duly executed by Landmark Profits and fulfillment by Landmark Profits with all its obligations under the Undertaking; and

9. the Capital Reorganisation becoming effective.

Conditions 1, 2, 3, 4 and 9 have been satisfied.

In the event that the conditions 5 to 8 (other than conditions 5 and 6 which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriter on or before 4.00 p.m. on the Settlement Date (or, in each case, such later date as the Underwriter and the Company may agree), all liabilities of the Company and the Underwriter shall cease and determine and neither party shall have any claim against the other (except that certain expenses of the Underwriter shall remain payable by the Company) and the irrevocable undertaking by Landmark Profits to accept its entitlement under the Rights Issue will lapse and the Rights Issue will not proceed.

Underwriting arrangement and Underwriting Agreement dated 17 August 2009

The Underwriter has agreed to fully underwrite 200,583,300 Rights Shares (being all the 293,699,560 Rights Shares under the Rights Issue less the 93,116,260 Rights Shares which will be provisionally allotted to Landmark Profits, and which Landmark Profits has undertaken to accept). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholder are third parties independent of the Company and connected persons of the Company.

In the Underwriting Agreement, the Underwriter has confirmed that (a) the Underwriter shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with; and (b) each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other.

Under the Underwriting Agreement, the Underwriter has confirmed that it will not and the sub-underwriters will not (together with any party acting in concert with them) hold 20% or more of the voting rights of the Company upon completion of the Rights Issue. The Underwriter has also undertaken to the Company that it will make arrangements such that the Underwriter, any sub-underwriter and/or any purchaser for the Rights Shares procured by it and/or any sub-underwriter, will not, whether individually or collectively, be required to make a general offer under Rule 26 of the Takeovers Code. The Underwriter has confirmed to the Company that it has entered into sub-underwriting agreements.

Commission

The Company will pay the Underwriter an underwriting commission of 1.0% of the aggregate subscription price of the Rights Shares underwritten by it. The Directors believe that the underwriting commission accords with market rates.

Undertaking from Landmark Profits

As at the Latest Practicable Date, Easyknit International, through Landmark Profits, was interested in 232,790,657 Old Shares, representing approximately 31.7% of the total issued share capital of the Company. Upon the Capital Reorganisation coming into effect, Landmark Profits will beneficially own 23,279,065 Shares then in issue. Pursuant to the Underwriting Agreement, Landmark Profits has signed the Undertaking in favour of the Company and the Underwriter pursuant to which it has conditionally undertaken, inter alia, that the Old Shares held by it on the date of the Undertaking will remain registered in its name at the close of business on the Record Date and that the Rights Shares to be provisionally allotted to it, representing 93,116,260 Rights Shares, will be taken up and paid for in full by it.

The obligations of Landmark Profits under the Undertaking are conditional upon (i) the Underwriting Agreement becoming unconditional in accordance with its terms; and (ii) the approval by shareholders of Easyknit International of the Undertaking at a general meeting of the shareholders of Easyknit International at or before the Acceptance Date and Time, if necessary. If these conditions are not fulfilled, all liabilities of Landmark Profits thereunder shall cease and determine and the undertaking shall lapse, and no party shall have any claims against the other for matters referred to in the Undertaking. Landmark Profits will not apply for any excess Rights Shares.

Termination of the Underwriting Agreement

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

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

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

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

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

If, at or prior to 4:00 p.m. on the Settlement Date:

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

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

(iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention, fail promptly to send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

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

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Dealings in the Rights Shares in their nil-paid form will take place from Friday, 16 October 2009 to Friday, 23 October 2009 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Friday, 16 October 2009 to Friday, 23 October 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in the bleaching, dyeing and knitting businesses. As stated in the annual report of the Group for the year ended 31 March 2009, the Board has expanded the Group's business activities to property investment. On 3 July 2009, the Company announced the proposed acquisition of two companies, namely Chancemore and Clever Wise, which are named as purchasers in sale and purchase agreements for two commercial properties in Hong Kong at an aggregate cash consideration of approximately HK$91.7 million. The principal activities of Chancemore and Clever Wise are property investment and the only material assets are the two commercial properties being acquired. These two acquisitions of Chancemore and Clever Wise were completed on 11 September 2009.

The gross proceeds of the Rights Issue will be approximately HK$111.6 million. The estimated expenses of the Rights Issue amount to approximately HK$2.6 million and will be borne by the Company. The estimated net proceeds of the Rights Issue will therefore be approximately HK$109.0 million.

Further to the aforesaid two acquisitions, the Board has continued to look for potential investment opportunities in Hong Kong in order to build up its property portfolio. The Company intends to utilise (i) approximately HK$70.0 million of the net proceeds from the Rights Issue to finance potential property acquisitions; and (ii) the remaining approximately HK$39.0 million for the general working capital of the Group.

Given the uncertain credit environment which has adversely affected the financial markets in the past year, the Directors are of the view that it is prudent to finance the Group's long-term growth with long-term funding in the form of equity, which will not have refinancing risk. The Directors believe the Rights Issue is an appropriate way to raise capital to enhance the Company's capital base.

The Rights Issue also allows the Company to increase its capital base without diluting the shareholdings of Shareholders who decide to take up in full their provisional allotment of Rights Shares. On this basis, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Rights Issue.

SHAREHOLDING OF THE COMPANY

The shareholdings in the Company (i) as at the Record Date, assuming the Capital Reorganisation had become effective and before the completion of the Rights Issue; (ii) after the completion of the Capital Reorganisation and the Rights Issue assuming all Rights Shares are taken up by Qualifying Shareholders or sold in the market; and (iii) after the completion of the Capital Reorganisation and the Rights Issue assuming only Landmark Profits takes up its provisional allotment of Rights Shares are and will be as follows:

	As at the Record Date assuming the Capital Reorganisation had become effective and before the completion of the Rights Issue		**After completion of the Capital Reorganisation and the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders or sold in the market)**		**After completion of the Capital Reorganisation and the Rights Issue (assuming only Landmark Profits takes up its Rights Shares)**	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Landmark Profits	23,279,065	31.7	116,395,325	31.7	116,395,325	31.7
Public	50,145,825	68.3	250,729,125	68.3	50,145,825	13.7
Underwriter *(Note)*	—	—	—	—	200,583,300	54.6
Total	**73,424,890**	**100.0**	**367,124,450**	**100.0**	**367,124,450**	**100.00**

Note: The table above is for illustration purposes only. Under the Underwriting Agreement, the Underwriter has confirmed that it will not and the sub-underwriters will not (together with any party acting in concert with them) hold 20% or more of the voting rights of the Company upon completion of the Rights Issue. The Underwriter has also undertaken to the Company that it will make arrangements such that the Underwriter, any sub-underwriter and/or any purchaser for the Rights Shares procured by it and/or any sub-underwriter, will not, whether individually or collectively, be required to make a general offer under Rule 26 of the Takeovers Code. The Underwriter has confirmed to the Company that it has entered into sub-underwriting agreements. The Underwriter has confirmed that it shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

The Underwriter and its ultimate controlling shareholders are Independent Third Parties and are not parties acting in concert with Landmark Profits. The sub-underwriters and their ultimate beneficial owners are Independent Third Parties and are not parties acting in concert with Landmark Profits and the Underwriter.

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

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

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

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

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

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

Bleaching and dyeing

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

Knitting

Turnover for the knitting business accounted for approximately 0.14% (2008: 0.04%) of the Group's turnover for the year ended 31 March 2009. External sales of approximately HK$81,000 were recorded for the knitting business during the year under review (2008: approximately HK$32,000). Taking into account the portion of inter-segment sale of approximately HK$37,835,000 (2008: approximately HK$8,455,000), turnover derived from this segment rose by approximately 346.75% to approximately HK$37,916,000 (2008: approximately HK$8,487,000). Despite the increase in turnover, loss of approximately HK$5,045,000 was recorded for this segment (2008: loss of approximately HK$1,362,000). The increase in loss was due to the rise in the price of cotton yarn, a raw material for knitting production, during the year under review.

Geographical analysis

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

Huzhou Project

During the year, two blocks of factory premises and four blocks of workers' quarters have been completed on the land for garment manufacturing operation in respect of the Group's project in constructing knitting, bleaching and dyeing and garment manufacturing operations in Zhili Town, Huzhou City, China. To recognise the relevant completion, a corresponding cost of HK$101,144,000 has been transferred from the construction in progress to the buildings. The land use right certificate of the remaining portion of land earmarked for bleaching and dyeing operation was received by the Group in August 2009.

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

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

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

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

Prospect

The Directors anticipate that the businesses of the Group will feel the impact of a declining market. Faced with present worldwide adverse financial conditions, the Group will focus on implementing more effective controls in production cost and improving its product quality in order to serve the customers which have continued to place orders with the Group. If the adverse conditions prevail, the Company may look for other more profitable businesses.

As regards the Huzhou Project, the Directors will continue to keep track of the transfer of the remaining two parcels of land to the Group. Together with the Huzhou Government, the Group is looking at other options for the use of the land acquired which will be of benefit to the Group.

CAPITAL RAISING ACTIVITIES DURING PAST 12 MONTHS

The capital raising activities of the Company during the 12 months immediately preceding the Latest Practicable Date are summarised below. Save as set out below, the Company has not carried out any other capital raising activities during that period.

Date of announcement	Event	Net proceeds raised	Intended use of proceeds from fund raising	Actual use of proceeds as at the Latest Practicable Date
12 November 2008	Rights issue on the basis of 10 rights shares for every one Old Share held	HK$98.0 million	HK$58.0 million for Huzhou Project HK$40.0 million for general working capital of the Group	As the Group has ceased its investment in the Huzhou Project (as set out in the announcement of the Company dated 24 February 2009), the original HK$58.0 million which was earmarked for the Huzhou Project has been redesignated for property acquisitions. In this respect, approximately HK$8.1 million has been utilised as deposit for the acquisition of two companies as announced by the Company on 3 July 2009, and a further HK$45.6 million has been utilised for the payment of the balance of the purchase price for the acquisition of two commercial properties.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (as amended) (and regulations made thereunder) has been granted by the Bermuda Monetary Authority in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission and in accepting the Prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Prospectus.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to IV to this Prospectus.

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

1. DIRECTORS

Particulars of Directors

Name	Address
Executive Directors	
Kwong Jimmy Cheung Tim	Flat D, 16th Floor, Tower 4 Hong Kong Gold Coast Tuen Mun New Territories Hong Kong
Lui Yuk Chu	No. 7, Braga Circuit Kowloon Hong Kong
Non-executive Director	
Tse Wing Chiu, Ricky	House D6 Flamingo Garden No. 7, Fei Wan Road Fei Ngo Shan New Territories Hong Kong
Independent Non-executive Directors	
Kan Ka Hon	Unit GB, No.11 La Serene Discovery Bay New Territories Hong Kong
Lau Sin Ming	Flat D, 4th Floor Wah Shing Building 19 Castle Peak Road Kowloon Hong Kong
Foo Tak Ching	Flat A, 11th Floor Skyline Mansion 51 Conduit Road Hong Kong

Executive Directors

Mr. Kwong Jimmy Cheung Tim (Chairman and Chief Executive Officer)

Mr. Kwong, aged 66, is an executive Director, Chairman, Chief Executive Officer and authorised representative of the Company and a member and chairman of the Executive Committee of the Board. He is also an executive director, president, chief executive officer and authorised representative of, and a member and chairman of the executive committee of the board of directors of, Easyknit International. Mr. Kwong graduated from the University of Hong Kong in 1965 and was admitted as a Barrister-at-Law in the United Kingdom in 1970 and in Hong Kong in 1973 respectively. He has over 30 years of experience in the legal field. He serves as director of various subsidiaries of the Company and Easyknit International. Mr. Kwong was appointed to the Board as an independent non-executive Director in April 2003, and was subsequently re-designated as an executive Director in April 2007. On 18 December 2007, Mr. Kwong was appointed as Chairman and Chief Executive Officer of the Company.

Ms. Lui Yuk Chu (Deputy Chairman)

Ms. Lui, aged 52, is an executive Director and Deputy Chairman of the Company and a member of the Executive Committee of the Board. She is also an executive director and vice president, and a member of the executive committee of the board of directors of Easyknit International. Ms. Lui has been involved in the textiles industry for over 30 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit International. Ms. Lui was appointed to the Board as an executive Director in March 2003 and was appointed as Deputy Chairman of the Company on 20 January 2006.

Non-executive Director

Mr. Tse Wing Chiu, Ricky

Mr. Tse, aged 51 is a non-executive Director of the Company. He is also a non-executive director of Easyknit International. Mr. Tse obtained a Master's Degree in Business Administration from Adam Smith University of America in the United States in 1996. He has more than 30 years of experience in garment manufacturing and merchandising. Mr. Tse was appointed to the Board as an executive Director and Vice Chairman in November 2005, and was subsequently re-designated from Vice Chairman to Chairman and appointed as Chief Executive Officer in January 2006. On 18 December 2007, Mr. Tse was re-designated from an executive Director to a non-executive Director of the Company and resigned as Chairman and Chief Executive Officer.

Independent Non-executive Directors

Mr. Kan Ka Hon

Mr. Kan, aged 58, is a member and Chairman of the Audit Committee of the Board and a member of the Remuneration Committee of the Board. He holds a Bachelor's Degree in Science from the University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in accounting and finance. Mr. Kan is also an independent non-executive director of Victory City International Holdings Limited. Mr. Kan was appointed to the Board in April 2003.

Mr. Lau Sin Ming

Mr. Lau, aged 48, is a member and Chairman of the Remuneration Committee of the Board and a member of the Audit Committee of the Board. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 27 years of experience in accounting and auditing. Mr. Lau was appointed to the Board in September 2004.

Mr. Foo Tak Ching

Mr. Foo, aged 75, is a member of the Audit Committee and Remuneration Committee of the Board. He is currently a partner of Messrs. Liu, Choi & Chan, a firm of solicitors and notaries in Hong Kong and has been practising in the legal field for more than 30 years. He obtained his LLB from the University of London in the United Kingdom in 1968 and his diploma in Chinese Laws from the University of East Asia in Macau in 1987. Mr. Foo was admitted as a solicitor in England and Wales in 1972 and in Hong Kong in 1973 and admitted as a barrister and solicitor in the State of Victoria, Australia in 1982. He is a Notary Public and a China Appointed Attesting Officer. Mr. Foo was appointed to the Board in April 2007.

2. CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business	7th Floor Hong Kong Spinners Building, Phase 6 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong

Company secretary	Chan Po Cheung FCPA, FCCA, ACA
Authorised representatives	Kwong Jimmy Cheung Tim Chan Po Cheung
Legal advisers to the Company	*On Hong Kong law:* Richards Butler in association with Reed Smith LLP 20th Floor Alexandra House 16-20 Chater Road Hong Kong *On Bermuda law:* Appleby 8th Floor, Bank of America Tower 12 Harcourt Road, Central Hong Kong
Auditor	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal share registrar and transfer office in Bermuda	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

2. SHARE CAPITAL

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

Authorised:		
20,000,000,000	Old Shares	HK$200,000,000.00
Issued and fully-paid:		
734,248,900	Old Shares in issue as at the Latest Practicable Date	HK$7,342,489.00
73,424,890	Shares in issue upon the Capital Reorganisation becoming effective	HK$734,248.90
293,699,560	Rights Shares to be issued pursuant to the Rights Issue	HK$2,936,995.60
367,124,450	Shares in issue immediately following the Rights Issue	HK$3,671,244.50

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

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

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

1. FINANCIAL SUMMARY OF THE GROUP

The following financial summary has been extracted from the audited consolidated financial statements of the Group for the three years ended 31 March 2009 as published in the 2007/2008 and 2008/2009 annual reports of the Company. No qualified opinions were issued by the Company's auditor for any of the three years ended 31 March 2009.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	59,960	74,923	75,964
Cost of sales and services	(61,581)	(65,721)	(74,717)
Gross (loss) profit	(1,621)	9,202	1,247
Other income	1,759	1,742	2,667
Other expenses	(2,263)	(10,702)	(608)
Distribution costs	(568)	(384)	(424)
Administrative expenses	(15,994)	(15,063)	(15,084)
(Allowance for) write back of allowance for doubtful debts	(3,793)	494	2,446
Gain arising from fair value change of investments held for trading	344	—	—
Impairment loss recognised in respect of property, plant and equipment	(23,594)	—	—
Finance costs	(475)	(268)	(153)
Loss before taxation	(46,205)	(14,979)	(9,909)
Taxation	(1,252)	(2,832)	(1,572)
Loss for the year	(47,457)	(17,811)	(11,481)

CONSOLIDATED BALANCE SHEET

At 31 March

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	106,999	102,831	66,836
Prepaid lease payments	40,921	40,667	31,642
Deposits for acquisition of property, plant and equipment	38	17,725	16,125
	147,958	161,223	114,603
Current assets			
Inventories	6,008	5,818	15,445
Trade and other receivables	64,346	25,698	44,783
Prepaid lease payments	881	857	656
Investments held for trading	4,056	—	—
Pledged bank deposits	10,000	—	—
Bank balances and cash	154,870	139,753	29,392
	240,161	172,126	90,276
Current liabilities			
Trade and other payables	23,732	26,000	24,453
Bills payable	1,739	1,818	4,146
Bank loans	—	—	6,038
Convertible note	—	33,750	—
Tax payable	6,068	4,816	1,608
	31,539	66,384	36,245
Net current assets	208,622	105,742	54,031
Net assets	356,580	266,965	168,634
Capital and reserves			
Share capital	7,342	58,906	39,271
Reserves	349,238	208,059	129,363
	356,580	266,965	168,634

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is a reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained on pages 26 to 71 of the annual report of the Company for the year ended 31 March 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	NOTES	**2009** *HK$'000*	**2008** *HK$'000*
Turnover	7	59,960	74,923
Cost of sales and services		(61,581)	(65,721)
Gross (loss) profit		(1,621)	9,202
Other income		1,759	1,742
Other expenses		(2,263)	(10,702)
Distribution costs		(568)	(384)
Administrative expenses		(15,994)	(15,063)
(Allowance for) write back of allowance for doubtful debts		(3,793)	494
Gain arising from fair value change of investments held for trading		344	—
Impairment loss recognised in respect of property, plant and equipment		(23,594)	—
Finance costs	9	(475)	(268)
Loss before taxation	10	(46,205)	(14,979)
Taxation	12	(1,252)	(2,832)
Loss for the year		(47,457)	(17,811)
Basic loss per share	13	HK$(0.22)	HK$(0.32)

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	NOTES	**2009**	**2008**
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	15	106,999	102,831
Prepaid lease payments	16	40,921	40,667
Deposits for acquisition of property, plant and equipment		38	17,725
		147,958	161,223
Current assets			
Inventories	17	6,008	5,818
Trade and other receivables	18	64,346	25,698
Prepaid lease payments	16	881	857
Investments held for trading	19	4,056	—
Pledged bank deposits	20	10,000	—
Bank balances and cash	20	154,870	139,753
		240,161	172,126
Current liabilities			
Trade and other payables	21	23,732	26,000
Bills payable	22	1,739	1,818
Convertible note	23	—	33,750
Tax payable		6,068	4,816
		31,539	66,384
Net current assets		208,622	105,742
Net assets		356,580	266,965
Capital and reserves			
Share capital	24	7,342	58,906
Reserves		349,238	208,059
		356,580	266,965

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Share capital	Share premium	Convertible note equity reserve	Capital reserve	Contributed surplus	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	39,271	164,288	—	53,194	714	7,138	(95,971)	168,634
Exchange differences arising on translation of foreign operations	—	—	—	—	—	10,573	—	10,573
Loss for the year	—	—	—	—	—	—	(17,811)	(17,811)
Total recognised income and expense for the year	—	—	—	—	—	10,573	(17,811)	(7,238)
Equity component of convertible note *(see note 23)*	—	—	4,128	—	—	—	—	4,128
Rights issue of shares *(see note 24(a))*	19,635	82,469	—	—	—	—	—	102,104
Transaction costs attributable to issue of new shares	—	(663)	—	—	—	—	—	(663)
At 31 March 2008	58,906	246,094	4,128	53,194	714	17,711	(113,782)	266,965
Exchange differences arising on translation of foreign operations	—	—	—	—	—	3,467	—	3,467
Loss for the year	—	—	—	—	—	—	(47,457)	(47,457)
Total recognised income and expense for the year	—	—	—	—	—	3,467	(47,457)	(43,990)
On conversion of convertible note *(see note 23)*	7,843	30,449	(4,128)	—	—	—	—	34,164
Reduction of share capital upon capital reorganisation *(see note 24(d))*	(66,082)	—	—	—	—	—	66,082	—
Rights issue of shares *(see note 24(e))*	6,675	93,450	—	—	—	—	—	100,125
Transaction costs attributable to issue of new shares	—	(684)	—	—	—	—	—	(684)
At 31 March 2009	7,342	369,309	—	53,194	714	21,178	(95,157)	356,580

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009	2008
	HK$'000	*HK$'000*
Operating activities		
Loss before taxation	(46,205)	(14,979)
Adjustments for:		
Interest income	(1,574)	(756)
Interest expense	475	268
Depreciation	3,936	3,614
Amortisation of prepaid lease payments	880	762
Write back of allowance for inventories	(6)	(255)
Allowance for (write back of allowance for) doubtful debts	3,793	(494)
Gain arising from fair value changes of investments held for trading	(344)	—
Impairment loss recognised in respect of property, plant and equipment	23,594	—
Loss on disposal of property, plant and equipment	7	20
Operating cash flows before movements in working capital	(15,444)	(11,820)
(Increase) decrease in inventories	(184)	9,882
(Increase) decrease in trade and other receivables	(24,507)	19,579
Increase in investments held for trading	(3,712)	—
(Decrease) increase in trade and other payables	(2,268)	2,544
Decrease in bills payable	(79)	(2,328)
Net cash (used in) from operating activities	(46,194)	17,857
Investing activities		
Interest received	1,574	756
Purchase of property, plant and equipment	(29,534)	(35,182)
Increase in pledged bank deposits	(10,000)	—
Purchase of land use rights	(136)	(6,828)
Net cash used in investing activities	(38,096)	(41,254)

	2009	2008
	HK$'000	*HK$'000*
Financing activities		
Net proceeds from issue of new shares	99,441	101,441
Interest paid	(61)	(40)
Proceeds from issue of convertible note	—	37,650
Bank loans raised	—	2,042
Repayment of bank loans	—	(8,080)
Net cash from financing activities	99,380	133,013
Net increase in cash and cash equivalents	15,090	109,616
Cash and cash equivalents at beginning of the year	139,753	29,392
Effect of foreign exchange rate changes	27	745
Cash and cash equivalents at end of the year, represented by bank balances and cash	154,870	139,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. GENERAL

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

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

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 29.

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

In the current year, the Group has applied, for the first time, the following new Standards, Amendments and Interpretations ("INTs") (collectively "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2008.

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of financial statements[3]
HKAS 23 (Revised)	Borrowing costs[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]
HKFRS 3 (Revised)	Business combinations[4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives[5]

HK(IFRIC) - INT 13	Customer loyalty programmes[6]
HK(IFRIC) - INT 15	Agreements for the construction of real estate[3]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation[7]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[4]
HK(IFRIC) - INT 18	Transfers of assets from customers[8]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

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

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

[5] Effective for annual periods ending on or after 30 June 2009.

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

[7] Effective for annual periods beginning on or after 1 October 2008.

[8] Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised Standards and INTs will have no material impact on the results or financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

Revenue recognition

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

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

Service income is recognised when services are rendered.

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

Dividend income from investments including investments held for trading is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

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

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

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

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

Inventories

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

Financial instruments

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

Financial assets

The Group's financial assets are classified into two categories including investments held for trading and loans and receivables.

Effective interest method

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

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

Investments held for trading

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

Investments held for trading are measured at subsequent reporting dates at fair value, where securities are held for trading purposes, gains and losses arising from changes in fair value are recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

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

Impairment of financial assets

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

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

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

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

Financial liabilities and equity instruments

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

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

Effective interest method

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

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 at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Convertible note

Convertible note containing liability and equity components

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

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

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

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

Derecognition

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

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

Impairment loss on tangible assets

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

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

Taxation

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

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

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

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

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

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

Leasing

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

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

Foreign currencies

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

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

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

Retirement benefits costs

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

Borrowing costs

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which property, plant and equipment have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2009, the carrying amount of property, plant and equipment is HK$106,999,000 (net of cumulative impairment loss of HK$23,594,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes convertible note disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Investments held for trading	4,056	—
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	64,136	25,078
Pledged bank deposits	10,000	—
Bank balances and cash	154,870	139,753
	233,062	164,831
Financial liabilities		
Amortised costs		
Trade and other payables	8,626	5,910
Bills payable	1,739	1,818
Convertible note	—	33,750
	10,365	41,478

b. Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bills payable and convertible note. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure 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 rate changes on interest bearing financial assets which are mainly short-term bank deposits. Since the bank deposits are all short-term in nature, any future variation in interest rates will not have a significant impact on the results of the Group.

(ii) *Currency risk*

Certain subsidiaries of the Company have foreign currency sales or purchases denominated in currencies other than their functional currencies, which expose the Group to foreign currency risk. Approximately 7.08% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst approximately 56% of purchases are denominated in the group entity's functional currency.

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

	Liabilities		Assets	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi ("RMB")	2,283	1,967	2,474	2,102
HKD	—	—	4,731	3
USD	1,739	1,818	—	—

Sensitivity analysis

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

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

	RMB Impact		HKD Impact		USD Impact	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease (increase) in loss	10	7	237	—	(87)	(91)

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In view of the nature of business, the Group targets on a focused market. As at 31 March 2009, the Group has concentration of credit risk in the trade receivables balance amounting to HK$44,792,000 (2008: HK$23,905,000) derived from the five largest customers. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade 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 is significantly reduced.

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

Liquidity risk

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

As at 31 March 2009, the Group has available unutilised bank loan facilities of HK$8,261,000 (2008: HK$8,182,000).

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

Liquidity tables

	Effective interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Non-derivative financial liabilities					
Trade and other payables	—	8,460	166	8,626	8,626
Bills payable	—	1,739	—	1,739	1,739
		10,199	166	10,365	10,365

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

c. **Fair value**

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

— The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

— 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 consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values at the respective balance sheet dates.

7. TURNOVER

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

	2009	**2008**
	HK$'000	*HK$'000*
Bleaching and dyeing		
- sales of goods	55,886	71,240
- service income	3,993	3,651
	59,879	74,891
Knitting services	81	32
	59,960	74,923

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Segment information about these businesses is presented below:

For the year ended 31 March 2009

(i) **Consolidated income statement**

	Bleaching and dyeing	**Knitting**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External	59,879	81	—	59,960
Inter-segment *(note)*	3,307	37,835	(41,142)	—
Total	63,186	37,916	(41,142)	59,960
Segment result	(16,522)	(5,045)	—	(21,567)
Interest income				1,574
Gain arising from fair value change of investments held for trading				344
Unallocated corporate expenses				(26,081)
Finance costs				(475)
Loss before taxation				(46,205)
Taxation				(1,252)
Loss for the year				(47,457)

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

(ii) **Consolidated balance sheet**

	Bleaching and dyeing	Knitting	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	77,242	9,854	87,096
Unallocated corporate assets			301,023
Consolidated total assets			388,119
LIABILITIES			
Segment liabilities	11,901	10,001	21,902
Unallocated corporate liabilities			9,637
Consolidated total liabilities			31,539

(iii) **Other information**

	Bleaching and dyeing	Knitting	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	59	5	29,626	29,690
Amortisation	442	340	98	880
Depreciation	1,998	1,584	354	3,936
Loss on disposal of property, plant and equipment	7	—	—	7
Impairment loss recognised in respect of property, plant and equipment	8,394	142	15,058	23,594
Allowance for doubtful debts, net of amounts written back of HK$763,000	3,793	—	—	3,793

For the year ended 31 March 2008

(i) **Consolidated income statement**

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

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

(ii) **Consolidated balance sheet**

	Bleaching and dyeing *HK$'000*	Knitting *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	58,156	9,747	67,903
Unallocated corporate assets			265,446
Consolidated total assets			333,349
LIABILITIES			
Segment liabilities	13,723	2,753	16,476
Unallocated corporate liabilities			49,908
Consolidated total liabilities			66,384

(iii) **Other information**

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

Geographical segments

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

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	13,375	8,470	—	—
PRC	73,721	59,433	29,690	35,182
	87,096	67,903	29,690	35,182

9. FINANCE COSTS

	2009	**2008**
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	—	40
Imputed interest on convertible note *(note 23)*	475	228
	475	268

10. LOSS BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration *(note 11(a))*	2,450	3,086
Other staff costs, including retirement benefits costs	7,652	7,870
Total staff costs	10,102	10,956
Amortisation of prepaid lease payments	880	762
Auditor's remuneration	1,123	887
Cost of inventories recognised as an expense	49,371	61,150
Depreciation	3,936	3,614
Loss on disposal of property, plant and equipment	7	20
and after crediting:		
Interest income	1,574	756
Write-back of allowance for inventories	6	255

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

Details of emoluments to the directors of the Company for the year ended 31 March 2009 are as follows:

	Kwong Jimmy Cheung Tim	Lui Yuk Chu	Tse Wing Chiu, Ricky	Kan Ka Hon	Lau Sin Ming	Foo Tak Ching	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	100	100	100	100	400
Other emoluments							
- Salaries and other benefits	838	1,212	—	—	—	—	2,050
Total directors' emoluments	838	1,212	100	100	100	100	2,450

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

	Kwong Jimmy Cheung Tim	**Lui Yuk Chu**	**Tse Wing Chiu, Ricky**	**Kan Ka Hon**	**Lau Sin Ming**	**Foo Tak Ching**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	—	100	100	100	300
Other emoluments							
- Salaries and other benefits	681	1,212	893	—	—	—	2,786
Total directors' emoluments	681	1,212	893	100	100	100	3,086

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

The five highest paid individuals of the Group included two (2008: three) directors whose emoluments were included above. The emoluments of the remaining three (2008: two) highest paid individuals, not being directors, are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Salaries and other benefits	1,237	1,053
Retirement benefits costs	39	24
	1,276	1,077

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

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

12. TAXATION

	2009	2008
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	45	—
PRC enterprise income tax		
- current year	1,207	1,467
- underprovision in prior years	—	1,365
	1,207	2,832
	1,252	2,832

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the year ended 31 March 2008 as the Company and its subsidiaries had no assessable profit for that year.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

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

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation	(46,205)	(14,979)
Tax credit at the applicable rate of 25% (2008: 33%)	(11,551)	(4,943)
Tax effect of income not taxable for tax purposes	(228)	(176)
Tax effect of expenses not deductible for tax purposes	12,891	6,367
Underprovision in respect of prior years	—	1,365
Tax effect of tax losses not recognised	63	160
Tax effect attributable to concessionary tax rate in the PRC	—	(21)
Tax effect of different tax rates of subsidiaries operating in Hong Kong	(28)	—
Others	105	80
Tax charge for the year	1,252	2,832

At 31 March 2009, deductible temporary differences in respect of tax losses not recognised in the consolidated financial statements were HK$23,430,000 (2008: HK$23,177,000). No deferred tax asset has been recognised in respect of such deductible temporary differences due to the unpredictability of future profit streams. Included in the above are tax losses of HK$5,205,000 (2008: HK$5,176,000), which can only be carried forward for a maximum period of five years. Other losses may be carried forward indefinitely.

13. BASIC LOSS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	(47,457)	(17,811)

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	218,397,298	55,201,356

The denominator for the purposes of calculating basic loss per share for the year ended 31 March 2008 has been adjusted to reflect the consolidation of shares in September 2008 on the basis of 100 shares consolidated into one share and the rights issue in January 2009 on the basis of ten rights shares for every ordinary share.

No diluted loss per share for the year ended 31 March 2009 is presented as there was no potential dilutive shares in issue for the year.

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

14. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

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

	2009	**2008**
	HK$'000	*HK$'000*
Easyknit Global Company Limited	240	160
Grand Modern Investment Limited	—	80
	240	240

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

During the year ended 31 March 2008, the Group also purchased a motor vehicle amounting to HK$576,000 from Grand Modern Investment Limited.

(b) Compensation of key management personnel

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

	2009	**2008**
	HK$'000	*HK$'000*
Short-term employee benefits	2,827	3,863

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 April 2007	—	25,512	2,907	1,480	46,344	76,243
Exchange adjustments	—	—	—	—	4,447	4,447
Additions	—	542	24	575	34,041	35,182
Disposal	—	(39)	(16)	—	—	(55)
At 31 March 2008	—	26,015	2,915	2,055	84,832	115,817
Exchange adjustments	—	—	—	8	2,013	2,021
Additions	—	32	34	—	29,624	29,690
Transfer	101,144	—	—	—	(101,144)	—
Disposal	—	—	(55)	—	—	(55)
At 31 March 2009	101,144	26,047	2,894	2,063	15,325	147,473
DEPRECIATION AND IMPAIRMENT						
At 1 April 2007	—	6,944	1,833	630	—	9,407
Provided for the year	—	2,755	491	368	—	3,614
Eliminated on disposal	—	(22)	(13)	—	—	(35)
At 31 March 2008	—	9,677	2,311	998	—	12,986
Exchange adjustments	1	—	—	5	—	6
Provided for the year	280	2,903	362	391	—	3,936
Impairment loss recognised in the consolidated income statement	—	7,836	201	232	15,325	23,594
Eliminated on disposal	—	—	(48)	—	—	(48)
At 31 March 2009	281	20,416	2,826	1,626	15,325	40,474
CARRYING VALUES						
At 31 March 2009	100,863	5,631	68	437	—	106,999
At 31 March 2008	—	16,338	604	1,057	84,832	102,831

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

Buildings	Over the shorter of the unexpired term of lease and their estimated useful lives, being 30 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 10 years
Motor vehicles	5 to 10 years

The Company obtained the shareholders' approval for acquiring land of about 670 mu in the Huzhou City, Zhejiang Province, the PRC and the development of manufacturing operations thereon (collectively the "Huzhou Project"). Details of the Huzhou Project and its further development are set out in the circular of the Company dated 21 February 2005 and various subsequent announcements. During the year, construction of a few blocks of buildings for intended use as factory premises and workers' dormitories was completed and cost of HK$101,144,000 was transferred from construction in progress to buildings as set out above. However, as set out in the announcement of the Company dated 24 February 2009, the Huzhou Project is no longer viable and therefore the Group stopped further investment in the Huzhou Project. As such,

(a) the balance of the construction in progress amounting to HK$15,325,000 was fully impaired and an impairment loss of the same amount is recognised in the consolidated income statement.

(b) the Group terminated an equipment construction contract with the counterparty. In accordance with the terms of the equipment construction contract, any deposit paid is fully refundable. Accordingly, the deposit paid amounting to RMB15,808,000 which was previously disclosed as a non-current asset under deposits paid for acquisition of property, plant and equipment (being HK$17,535,000 at 31 March 2008) is disclosed as a current asset at 31 March 2009 under trade and other receivables (being HK$17,967,000 at 31 March 2009).

In addition, the directors conducted an impairment review in relation to the completed buildings for Huzhou Project and the related prepaid lease payment of HK$41,802,000 as at 31 March 2009. The directors believe that no impairment is considered necessary as the estimated fair value less costs to sell of the buildings together with the related leasehold land element is higher than the carrying amounts.

Prepaid lease payments in respect of the Huzhou Project are as disclosed in note 16.

During the year, the directors conducted a review of the Group's manufacturing assets used in both bleaching and dyeing and knitting segments, and determined that a number of those assets were impaired, due to the continuous operating loss of the Group. An impairment loss of HK$7,836,000, HK$201,000 and HK$232,000 respectively have been recognised in respect of plant and machinery, furniture, fixtures and equipment and motor vehicles, which are used in the Group's bleaching and dyeing segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use were 7.625% in relation to the segment's manufacturing assets.

16. PREPAID LEASE PAYMENTS

	2009	2008
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC		
Medium-term lease	41,802	41,524
Analysed for reporting purposes as:		
Current asset	881	857
Non-current asset	40,921	40,667
	41,802	41,524

At 31 March 2009, the relevant PRC authority has not vacated certain land of carrying amount of HK$37,285,000 (2008: HK$37,020,000) for the use by the Group, HK$21,028,000 (2008: HK$20,954,000) of which have yet to be granted the land use rights certificates.

17. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Raw materials	5,319	5,319
Work-in-progress	591	369
Finished goods	98	130
	6,008	5,818

18. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	50,933	26,112
Less: Allowance for doubtful debts	(5,038)	(1,245)
	45,895	24,867
Prepayment	210	620
Refundable deposit in respect of construction of property, plant and equipment (see note 15)	17,967	—
Other receivable	274	211
	64,346	25,698

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

	2009	2008
	HK$'000	*HK$'000*
0 - 60 days	15,259	7,616
61 - 90 days	2,905	5,536
Over 90 days	27,731	11,715
	45,895	24,867

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

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$30,688,000 (2008: HK$11,822,000) which are past due at the reporting date for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

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

	2009	2008
	HK$'000	*HK$'000*
Over due by 1 to 60 days	8,971	10,004
Over due by 61 to 90 days	5,470	1,139
Over due by over 90 days	16,247	679
	30,688	11,822

Movement in the allowance for doubtful debts:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	1,245	1,763
Amounts written off as uncollectible	—	(24)
Impairment losses recognised on receivables	4,556	—
Amounts recovered during the year	(763)	(494)
Balance at end of the year	5,038	1,245

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$5,038,000 (2008: HK$1,245,000) which have either been placed under liquidation or in serve financial difficulties. The Group does not hold any collateral over these balances.

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

19. INVESTMENTS HELD FOR TRADING

The investments held for trading comprise equity securities listed in Hong Kong and are stated at fair value which are based on the quoted market bid prices on the Stock Exchange.

20. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

The bank balances and cash held by the Group comprise short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 3.775% (2008: 0.01% to 3.33%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged deposits carry fixed interest rate ranging from 0.25% to 2.5% (2008: nil) per annum. The pledged bank deposits will be released upon expiry of the granted banking facilities.

21. TRADE AND OTHER PAYABLES

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

	2009	2008
	HK$'000	*HK$'000*
0 - 60 days	7,201	3,016
61 - 90 days	880	1,206
Over 90 days	45	598
Trade payables	8,126	4,820
Accruals	15,106	20,090
Other payables	500	1,090
	23,732	26,000

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

22. BILLS PAYABLE

At 31 March 2009, the bills payable are aged within 30 days (2008: 120 days).

23. CONVERTIBLE NOTE

Convertible note containing liability and equity components

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

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

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

The movement of the liability component of the convertible note for the years ended 31 March 2008 and 2009 is set out below:

	HK$'000
Carrying amount upon issue of the convertible note during the year	33,522
Interest charge	228
Carrying amount at 31 March 2008	33,750
Interest charge	475
Interest paid	(61)
On conversion during the year	(34,164)
Carrying amount at 31 March 2009	—

24. SHARE CAPITAL

	Notes	**Nominal value per share**	**Number of shares**	**Amount**
		HK$		*HK$'000*
Authorised:				
At 1 April 2007 and 31 March 2008		0.01	20,000,000,000	200,000
Reduction of share capital	(d)(ii)		—	(198,000)
		0.0001	20,000,000,000	2,000
Consolidation of shares	(d)(iii)		(19,800,000,000)	—
		0.01	200,000,000	2,000
Increase	(d)(iv)	0.01	19,800,000,000	198,000
At 31 March 2009		0.01	20,000,000,000	200,000
Issued and fully paid:				
At 1 April 2007		0.01	3,927,075,240	39,271
Rights issue of share	(a)	0.01	1,963,537,620	19,635
At 31 March 2008		0.01	5,890,612,860	58,906
On conversion of convertible note	(b)	0.01	784,375,000	7,843
		0.01	6,674,987,860	66,749
Exercise of share options	(c)	0.01	2,140	—
			6,674,990,000	66,749
Reduction of share capital	(d)(i)		—	(66,082)
		0.0001	6,674,990,000	667
Consolidation of shares	(d)(iii)		(6,608,240,100)	—
		0.01	66,749,900	667
Rights issue of shares	(e)	0.01	667,499,000	6,675
At 31 March 2009		0.01	734,248,900	7,342

Notes:

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

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

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

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

(e) On 19 January 2009, the Company allotted 667,499,000 rights shares of HK$0.01 each at the subscription price of HK$0.15 per rights share on the basis of ten rights share for every existing ordinary share held. The Company raised HK$99,441,000 (net of expenses) with the intention at the time of rights issue to finance the development of manufacturing operations in the PRC and for general working capital use.

All shares issued during the years ended 31 March 2008 and 2009 rank pari passu with the then existing shares in issue in all respects.

25. SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

	Number of share options *(Note a)*					
Date of grant	**At 1 April 2008**	**Granted during the year**	**Exercised during the year**	**At 31 March 2009**	**Exercise price per share option**	**Exercise period**
18 August 2008	—	2,140	(2,140)	—	HK$0.0162 *(Note a)*	From 18 August 2008 to 31 August 2008 *(Note b)*

Notes:

(a) The number and exercise price of the share options had not been adjusted to reflect the Capital Reorganisation which became effective on 23 September 2008 (see note 24(d)).

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

Save as disclosed above, no share options were granted, exercised or cancelled under the Share Option Scheme during the years ended 31 March 2009 and 31 March 2008.

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

26. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment		
- contracted for but not provided in the consolidated financial statements	1,153	45,654
- authorised but not contracted for	—	384,636
	1,153	430,290

The capital expenditure at 31 March 2008 shown above was principally for the Huzhou Project. As set out in note 15, Huzhou Project no longer viable and therefore the Group has stopped further investment in the development project.

27. OPERATING LEASE ARRANGEMENTS

	2009	2008
	HK$'000	*HK$'000*
Minimum lease payments recognised in the consolidated income statement during the year	1,598	1,706

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

	2009	2008
	HK$'000	*HK$'000*
Within one year	1,526	1,511
In the second to fifth year inclusive	3,413	4,250
Over five years	314	920
	5,253	6,681

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

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

28. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

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

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

	2009	**2008**
	HK$'000	*HK$'000*
Employers' contributions charged to the consolidated income statement	170	157

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

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2009 and 31 March 2008 are as follows:

Name of subsidiary	**Place of incorporation/ establishment and operation**	**Nominal value of issued share capital/paid-up registered capital/ stated capital**	**Proportion of nominal value of issued share capital/paid-up registered capital/ stated capital held by the Company**		**Principal activities**
			Directly	**Indirectly**	
Easyknit (Mauritius) Limited	Republic of Mauritius/Hong Kong	Stated US$1	100%	—	Investment holding
Po Cheong International Enterprises Limited	Hong Kong	Ordinary HK$90	—	100%	Investment holding
Tat Cheong International (HK) Limited	Hong Kong	Ordinary HK$2	—	100%	Investment holding
東莞永耀漂染有限公司 ("Wing Yiu")[1]	PRC	Registered HK$11,260,000	—	100%	Bleaching and dyeing
永義紡織(河源)有限公司 ("He Yuan")[2]	PRC	Registered US$1,000,000	—	100%	Knitting
永義製衣(湖州)有限公司 ("Huzhou Garment")[3]	PRC	Registered US$14,182,668 (2008: US$8,634,800)	—	100%	Construction in progress of garment production plant for own use (suspended)

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share capital/paid-up registered capital/ stated capital	Proportion of nominal value of issued share capital/paid-up registered capital/ stated capital held by the Company		Principal activities
			Directly	Indirectly	
永義紡織(湖州)有限公司 ("Huzhou Knitting")[4]	PRC	Registered US$3,313,846	—	100%	Construction in progress of knitting production plant for own use (suspended)
永義漂染(湖州)有限公司 ("Huzhou Bleaching and Dyeing")[5]	PRC	Registered US$3,009,110	—	100%	Construction in progress of bleaching and dyeing production plant for own use (suspended)
Gainever Corporation Limited	Hong Kong	Ordinary HK$2	—	100%	Trading of marketable securities

Notes:

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

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

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

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

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

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

None of the subsidiaries had issued any debt securities at 31 March 2009.

3. WORKING CAPITAL

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

4. INDEBTEDNESS

At the close of business on 31 August 2009, being the latest practicable date for ascertaining its indebtedness prior to the printing of this Prospectus, the Group had no outstanding bank borrowings. It had banking facilities of approximately HK$10,000,000 which were secured by a fixed charge over a bank deposit of the Group as at 31 August 2009.

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

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

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had been completed on 31 March 2009. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the net tangible assets of the Group as at 31 March 2009 as extracted from the published audited annual report of the Group for the year ended 31 March 2009 and is adjusted for the effect of the Rights Issue.

Audited consolidated net tangible assets of the Group as at 31 March 2009 *(Note 1)* *HK$'000*	Estimated net proceeds from the Rights Issue *(Note 2)* *HK$'000*	Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Rights Issue *HK$'000*	Unaudited pro forma adjusted consolidated net tangible assets as adjusted for the Rights Issue per Share *(Note 3)* *HK$*
356,580	109,000	465,580	1.268

Notes:

1. The audited consolidated net tangible assets of the Group as at 31 March 2009 is based on the net assets of the Group extracted from the published annual report of the Group for the year ended 31 March 2009.

2. The estimated net proceeds from the Rights Issue are based on 293,699,560 Rights Shares at HK$0.38 per Rights Share, after deducting the estimated underwriting fees and other related expenses of approximately HK$2.6 million to be incurred by the Company.

3. The number of Shares used for the calculation of this amount is 367,124,450 which will be the total number of Shares expected to be in issue after the Rights Issue representing the 73,424,890 Shares in issue upon the Capital Reorganisation becoming effective as at the Latest Practicable Date and 293,699,560 Rights Shares.

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

Deloitte.
德勤

TO THE DIRECTORS OF EASYKNIT ENTERPRISES HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Easyknit Enterprises 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 rights issue of 293,699,560 rights shares of HK$0.01 each at HK$0.38 per rights share on the basis of four rights shares for every share held might have affected the consolidated net tangible assets of the Group presented, for inclusion in Section 5 of Appendix II to the prospectus of the Company dated 14 October 2009 (the "Prospectus"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out in Section 5 of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 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 statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the 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 statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2009 or any future date.

Opinion

In our opinion:

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 October 2009

The following is the text of a report as previously set out in Appendix II of the Company's circular dated 24 July 2009 received from the independent reporting accountants, Tony Yuen & Co., in respect of the audited financial information of Chancemore Limited from 11 March 2009 (date of incorporation) to 29 June 2009 as set out in this appendix for inclusion in this Prospectus.

24 July 2009

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

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Chancemore Limited ("Chancemore") for the period from 11 March 2009 (date of incorporation of Chancemore) to 29 June 2009 (the "Relevant Period"), for inclusion in the circular of Easyknit Enterprises Holdings Limited (the "Company") dated 24 July 2009 in connection with the Company's proposed acquisition of the entire issued share capital of Chancemore (the "Circular").

Chancemore is principally engaged in property investment and was incorporated in British Virgin Islands on 11 March 2009 with limited liability.

We have acted as auditors of Chancemore for the Relevant Period. The financial statements of Chancemore for the Relevant Period were prepared in accordance with accounting principles generally accepted in Hong Kong and we have carried out our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The sole director of Chancemore is responsible for preparing the audited financial statements of Chancemore. The Financial Information is based on the audited financial statements of Chancemore. No adjustments to the audited financial statements of Chancemore have been considered necessary for the purpose of this report. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to examine the Financial Information set out in this report, to form an independent opinion on the Financial Information and to report our opinion to you.

We have examined the Financial Information of Chancemore for the Relevant Period. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

In our opinion, the Financial Information, for the purpose of this report, and on the basis of presentation set out below gives a true and fair view of the profit/loss and cash flows of Chancemore for the period from 11 March 2009 (date of incorporation) to 29 June 2009 and of the assets and liabilities of Chancemore at 29 June 2009.

I. FINANCIAL INFORMATION

Statement of comprehensive income

	Notes	**11.3.2009 to 29.6.2009** *HK$*
TURNOVER	3	—
COST OF SALES		—
GROSS PROFIT		—
DISTRIBUTION COSTS		—
ADMINISTRATIVE EXPENSES		—
OTHER OPERATING EXPENSES		—
PROFIT FROM OPERATIONS		—
FINANCE COSTS		—
PROFIT FOR THE PERIOD		—
OTHER COMPREHENSIVE INCOME		—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		—
BASIC PROFIT PER SHARE	6	—

Statement of financial position

	Notes	29.6.2009
		HK$
CURRENT ASSET		
Deposits paid for acquisition of properties	9	8,053,200
CURRENT LIABILITY		
Amount due to the sole shareholder	7	8,053,192
NET CURRENT ASSETS		8
SHARE CAPITAL	8	8
RETAINED PROFITS		—
CAPITAL AND RESERVES		8

Statement of changes in equity

			11.3.2009 to 29.6.2009
	Share capital	Retained profits	Total
	HK$	*HK$*	*HK$*
Issue of one ordinary share at US$1	8	—	8
Total comprehensive income for the period	—	—	—
Balance at 29 June 2009	8	—	8

Statement of cash flows

	11.3.2009 to 29.6.2009
	HK$
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit from operation	—
Adjustments	—
Operating profit before movements in working capital	—
Deposits paid for acquisition of properties	(8,053,200)
Cash used in operations	(8,053,200)
Income tax paid	—
NET CASH USED IN OPERATING ACTIVITIES	(8,053,200)
FINANCING ACTIVITIES	
Proceeds on issue of one ordinary share	8
Advance from the sole shareholder	8,053,192
NET CASH FROM FINANCING ACTIVITIES	8,053,200
NET INCREASE IN CASH AND CASH EQUIVALENTS	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	—
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	—

II. NOTES ON THE FINANCIAL STATEMENTS

1 GENERAL

Chancemore Limited is a company incorporated in British Virgin Islands with limited liability. The company's registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal activity of the company during the period was property investment.

2 SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and has been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

(a) **Income tax**

Income tax for the period may comprise current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly to equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(b) **Related parties**

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3 TURNOVER

Chancemore did not have any turnover during the Relevant Period.

4 DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) **Directors' remuneration**

No remuneration was paid to Chancemore's sole director during the Relevant Period and no remuneration was waived by the sole director during the Relevant Period.

(ii) **Employees' remuneration**

No remuneration was paid to employees during the Relevant Period.

5 TAXATION

No provision for taxation has been made as Chancemore had no revenue for the Relevant Period.

No provision for deferred taxation has been made as the amount involved is insignificant.

6 PROFIT PER SHARE

As only one share was in issue during the Relevant Period, the profit per share is equal to the net profit for the period.

There were no potentially dilutive shares in existence during the Relevant Period.

7 AMOUNT DUE TO THE SOLE SHAREHOLDER

The amount due is unsecured and interest-free.

8 SHARE CAPITAL

	29.6.2009
	HK$
Authorised:	
50,000 ordinary shares of US$1 each	390,000
Issued and fully paid:	
1 ordinary share of US$1 each	8

Chancemore was incorporated on 11 March 2009 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. At the time of incorporation, one ordinary share of US$1 was issued at par to the founder member to provide the initial capital for Chancemore.

Other than the above, there were no changes in Chancemore's authorised, issued and fully paid share capital in the Relevant Period.

9 CAPITAL COMMITMENTS

Chancemore entered into a sale and purchase agreement ("Property Purchase Agreement") for the acquisition of the following properties at a consideration of HK$53,688,000:

— Ground Floor and Cockloft Floor, No.13 Matheson Street, Hong Kong*

Up to 29 June 2009, Chancemore had paid a total deposit of HK$8,053,200 to the vendor pursuant to the Property Purchase Agreement. Upon completion of the Property Purchase Agreement, Chancemore will have to pay the remaining balance of the consideration in the sum of HK$45,634,800 to the vendor.

* with tenancy agreement still in force at the time for completion of the Property Purchase Agreement.

10 SHARE SALE AGREEMENT

Chancemore's sole shareholder (the "Seller") entered into an agreement ("Chancemore Agreement") with Power Bright Investment Limited ("Power Bright"), a wholly owned subsidiary of Easyknit Enterprises Holdings Limited, to sell his entire share holding in Chancemore (the "Sale Share") to Power Bright at the consideration of HK$8,053,200.

Pursuant to the Chancemore Agreement, Power Bright has the right to require the Seller to purchase back the Sale Share if completion of purchase of the property as mentioned in the Property Purchase Agreement does not take place on 25 September 2009 (or such later date as the parties may agree) for whatever reason, at a consideration equivalent to the aggregate of (i) HK$8,053,200 (subject to adjustment under the Chancemore Agreement), (ii) HK$45,634,800 being the balance of the consideration payable under the Property Purchase Agreement if it has been paid by Power Bright or Chancemore, and (iii) any other sum paid by Power Bright and/or Chancemore for the purchase of the said property. Power Bright may exercise this right by notice in writing to the Seller any time on or before 30 September 2009.

11 RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere, Chancemore had no other transactions with related parties during the Relevant Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Chancemore have been prepared in respect of any period subsequent to 29 June 2009.

Yours faithfully
Tony Yuen & Co.
Certified Public Accountants
Hong Kong

The following is the text of a report as previously set out in Appendix II of the Company's circular dated 24 July 2009 received from the independent reporting accountants, Tony Yuen & Co., in respect of the audited financial information of Clever Wise Holdings Limited from 19 May 2009 (date of incorporation) to 29 June 2009 as set out in this appendix for inclusion in this Prospectus.

24 July 2009

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

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Clever Wise Holdings Limited ("Clever Wise") for the period from 19 May 2009 (date of incorporation of Clever Wise) to 29 June 2009 (the "Relevant Period"), for inclusion in the circular of Easyknit Enterprises Holdings Limited (the "Company") dated 24 July 2009 in connection with the Company's proposed acquisition of the entire issued share capital of Clever Wise (the "Circular").

Clever Wise is principally engaged in property investment and was incorporated in British Virgin Islands on 19 May 2009 with limited liability.

We have acted as auditors of Clever Wise for the Relevant Period. The financial statements of Clever Wise for the Relevant Period were prepared in accordance with accounting principles generally accepted in Hong Kong and we have carried out our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants("HKICPA").

The sole director of Clever Wise is responsible for preparing the audited financial statements of Clever Wise. The Financial Information is based on the audited financial statements of Clever Wise. No adjustments to the audited financial statements of Clever Wise have been considered necessary for the purpose of this report. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to examine the Financial Information set out in this report, to form an independent opinion on the Financial Information and to report our opinion to you.

We have examined the Financial Information of Clever Wise for the Relevant Period. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

In our opinion, the Financial Information, for the purpose of this report, and on the basis of presentation set out below gives a true and fair view of the profit/loss and cash flows of Clever Wise for the period from 19 May 2009 (date of incorporation) to 29 June 2009 and of the assets and liabilities of Clever Wise at 29 June 2009.

I. FINANCIAL INFORMATION

Statement of comprehensive income

	Notes	**19.5.2009 to 29.6.2009**
		HK$
TURNOVER	3	—
COST OF SALES		—
GROSS PROFIT		—
DISTRIBUTION COSTS		—
ADMINISTRATIVE EXPENSES		—
OTHER OPERATING EXPENSES		—
PROFIT FROM OPERATIONS		—
FINANCE COSTS		—
PROFIT FOR THE PERIOD		—
OTHER COMPREHENSIVE INCOME		—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		—
BASIC PROFIT PER SHARE	6	—

Statement of financial position

	Notes	**29.6.2009**
		HK$
CURRENT ASSET		
Deposits paid for acquisition of property	9	5,700,000
CURRENT LIABILITY		
Amount due to the sole shareholder	7	5,699,992
NET CURRENT ASSETS		8
SHARE CAPITAL	8	8
RETAINED PROFITS		—
CAPITAL AND RESERVES		8

Statement of changes in equity

			19.5.2009 to 29.6.2009
	Share capital	**Retained profits**	**Total**
	HK$	*HK$*	*HK$*
Issue of one ordinary share at US$1	8	—	8
Total comprehensive income for the period	—	—	—
Balance at 29 June 2009	8	—	8

Statement of cash flows

	19.5.2009 to 29.6.2009
	HK$
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit from operation	—
Adjustments	—
Operating profit before movements in working capital	—
Deposits paid for acquisition of property	(5,700,000)
Cash used in operations	(5,700,000)
Income tax paid	—
NET CASH USED IN OPERATING ACTIVITIES	(5,700,000)
FINANCING ACTIVITIES	
Proceeds on issue of one ordinary share	8
Advance from the sole shareholder	5,699,992
NET CASH FROM FINANCING ACTIVITIES	5,700,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	—
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	—

II. NOTES ON THE FINANCIAL STATEMENTS

1 GENERAL

Clever Wise Holdings Limited is a company incorporated in British Virgin Islands with limited liability. The company's registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal activity of the company during the period was property investment.

2 SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and has been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

(a) **Income tax**

Income tax for the period may comprise current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly to equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(b) **Related parties**

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3 TURNOVER

Clever Wise did not have any turnover during the Relevant Period.

4 DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) **Directors' remuneration**

No remuneration was paid to Clever Wise's sole director during the Relevant Period and no remuneration was waived by the sole director during the Relevant Period.

(ii) **Employees' remuneration**

No remuneration was paid to employees during the Relevant Period.

5 TAXATION

No provision for taxation has been made as Clever Wise had no revenue for the Relevant Period.

No provision for deferred taxation has been made as the amount involved is insignificant.

6 PROFIT PER SHARE

As only one share was in issue during the Relevant Period, the profit per share is equal to the net profit for the period.

There were no potentially dilutive shares in existence during the Relevant Period.

7 AMOUNT DUE TO THE SOLE SHAREHOLDER

The amount due is unsecured and interest-free.

8 SHARE CAPITAL

	29.6.2009
	HK$
Authorised:	
50,000 ordinary shares of US$1 each	390,000
Issued and fully paid:	
1 ordinary share of US$1 each	8

Clever Wise was incorporated on 19 May 2009 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. At the time of incorporation, one ordinary share of US$1 was issued at par to the founder member to provide the initial capital for Clever Wise.

Other than the above, there were no changes in Clever Wise's authorised, issued and fully paid share capital in the Relevant Period.

9 CAPITAL COMMITMENTS

Clever Wise entered into a sale and purchase agreement ("Property Purchase Agreement") for the acquisition of the following property at a consideration of HK$38,000,000:

— Ground Floor, No. 148 Johnston Road, Hong Kong*

Up to 29 June 2009, Clever Wise had paid a total deposit of HK$5,700,000 to the vendor pursuant to the Property Purchase Agreement. Upon completion of the Property Purchase Agreement, Clever Wise will have to pay the remaining balance of the consideration in the sum of HK$32,300,000 to the vendor.

* with tenancy agreement still in force at the time for completion of the Property Purchase Agreement.

10 SHARE SALE AGREEMENT

Clever Wise's sole shareholder (the "Seller") entered into an agreement ("Clever Wise Agreement") with Power Bright Investment Limited ("Power Bright"), a wholly owned subsidiary of Easyknit Enterprises Holdings Limited, to sell his entire share holding in Clever Wise (the "Sale Share") to Power Bright at the consideration of HK$5,700,000.

Pursuant to the Clever Wise Agreement, Power Bright has the right to require the Seller to purchase back the Sale Share if completion of purchase of the property as mentioned in the Property Purchase Agreement does not take place on 21 September 2009 (or such later date as the parties may agree) for whatever reason, at a consideration equivalent to the aggregate of (i) HK$5,700,000 (subject to adjustment under the Clever Wise Agreement), (ii) HK$32,300,000 being the balance of the consideration payable under the Property Purchase Agreement if it has been paid by Power Bright or Clever Wise, and (iii) any other sum paid by Power Bright and/or Clever Wise for the purchase of the said property. Power Bright may exercise this right by notice in writing to the Seller any time on or before 30 September 2009.

11 RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere, Clever Wise had no other transactions with related parties during the Relevant Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Clever Wise have been prepared in respect of any period subsequent to 29 June 2009.

Yours faithfully
Tony Yuen & Co.
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus 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 Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES

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

(a) **Interests in Old Shares**

Name of Director	**Capacity**	**Number of issued Old Shares held (long positions)**	**Approximate percentage of interest**
Ms. Lui Yuk Chu (*Note i*)	Beneficiary of a trust	232,790,657	31.70%

Note i: These Old Shares were registered in the name of and were beneficially owned by Landmark Profits which was a wholly-owned subsidiary of Easyknit International. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits Limited 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 unissued Shares**

Name of Director	**Capacity**	**Number of unissued Shares held (long positions)**
Ms. Lui Yuk Chu *(Note ii)*	Beneficiary of a trust	93,116,260

Note ii: These are the Rights Shares which Landmark Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits was a wholly-owned subsidiary of Easyknit International. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits Limited 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 include Ms. Lui Yuk Chu and her family members other than her spouse).

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

At the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2009 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to any member of the Group.

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

3. DISCLOSURE OF INTEREST BY SUBSTANTIAL SHAREHOLDERS

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

(a) **Interests in Old Shares**

Name of Shareholder	Nature of Interest	Number of issued Old Shares held (long positions)	Approximate percentage of interest
Koon Wing Yee *(note i)*	Interest of spouse	232,790,657	31.70%
Landmark Profits *(notes i and ii)*	Beneficial owner	232,790,657	31.70%
Easyknit International *(notes i and ii)*	Interest of controlled corporation	232,790,657	31.70%
Magical Profits Limited *(notes i and iii)*	Interest of controlled corporation	232,790,657	31.70%
Accumulate More Profits Limited *(note i)*	Interest of controlled corporation	232,790,657	31.70%
Hang Seng Bank Trustee International Limited *(notes i & iv)*	Trustee	232,790,657	31.70%
Hang Seng Bank Limited *(note iv)*	Interest of controlled corporation	232,790,657	31.70%
The Hongkong and Shanghai Banking Corporation Limited *(note iv and v)*	Interest of controlled corporation	232,790,658	31.70%
HSBC Asia Holdings BV *(note v)*	Interest of controlled corporation	232,790,658	31.70%

Name of Shareholder	Nature of Interest	Number of issued Old Shares held (long positions)	Approximate percentage of interest
HSBC Asia Holdings (UK) *(note v)*	Interest of controlled corporation	232,790,658	31.70%
HSBC Holdings BV *(note v)*	Interest of controlled corporation	232,790,658	31.70%
HSBC Finance (Netherlands) *(note v)*	Interest of controlled corporation	232,790,658	31.70%
HSBC Holdings plc *(note v)*	Interest of controlled corporation	232,790,658	31.70%
Park Jong Yong	Beneficial owner	80,222,944	10.92%

Notes:

(i) The 232,790,657 Old Shares relate to the same block of shares in the Company. These Old Shares were registered in the name of and were beneficially owned by Landmark Profits which was a wholly-owned subsidiary of Easyknit International. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits Limited 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 include Ms. Lui Yuk Chu, a Director, 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 232,790,657 Old Shares by virtue of the SFO.

(ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being Directors, are also directors of Landmark Profits and Easyknit International.

(iii) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited.

(iv) 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 & Shanghai Banking Corporation Limited.

(v) The 232,790,658 Old Shares relate to the same block of shares. Out of 232,790,658 Old Shares, 232,790,657 Old Shares were registered in the name of and beneficially owned by Landmark Profits. The remaining one Old Share was held by HSBC Broking Securities (Asia) Limited, which was a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn was wholly-owned by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong & Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

(b) **Interests in unissued Shares**

Name of Shareholder	**Nature of Interest**	**Number of unissued Shares held (long positions)**
Koon Wing Yee *(note i)*	Interest of spouse	93,116,260
Landmark Profits *(notes i and ii)*	Beneficial owner	93,116,260
Easyknit International *(notes i and ii)*	Interest of controlled corporation	93,116,260
Magical Profits Limited *(notes i and iii)*	Interest of controlled corporation	93,116,260
Accumulate More Profits Limited *(note i)*	Interest of controlled corporation	93,116,260
Hang Seng Bank Trustee International Limited *(notes i & iv)*	Trustee	93,116,260
Hang Seng Bank Limited *(note iv)*	Interest of controlled corporation	93,116,260
The Hongkong and Shanghai Banking Corporation Limited *(note iv)*	Interest of controlled corporation	93,116,260
HSBC Asia Holdings BV *(note iv)*	Interest of controlled corporation	93,116,260
HSBC Asia Holdings (UK) *(note iv)*	Interest of controlled corporation	93,116,260
HSBC Holdings BV *(note iv)*	Interest of controlled corporation	93,116,260
HSBC Finance (Netherlands) *(note iv)*	Interest of controlled corporation	93,116,260
HSBC Holdings plc (note iv)	Interest of controlled corporation	93,116,260
Kingston Securities Limited *(note v)*	Other	200,583,300
Chu Yuet Wah *(note v)*	Interest of controlled corporation	200,583,300
Ma Siu Fong *(note v)*	Interest of controlled corporation	200,583,300
Cheer Union Securities Limited *(note vi)*	Other	70,000,000

Notes:

(i) These are the Rights Shares which Landmark Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits was a wholly-owned subsidiary of Easyknit International. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits Limited 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 include Ms. Lui Yuk Chu, a Director, 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 93,116,260 unissued Shares by virtue of the SFO.

(ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being Directors, are also directors of Landmark Profits and Easyknit International.

(iii) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited.

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

(v) These are the Rights Shares which the Underwriter has underwritten in respect of the Rights Issue. The Underwriter is owned as to 51% by Chu Yuet Wah and as to 49% by Ma Siu Fong, who are Independent Third Parties.

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

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. LITIGATION

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

6. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that, save as publicly disclosed, there has not been any material adverse change in the financial or trading position of the Group since 31 March 2009, being the date to which the latest published audited accounts of the Group were made up.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

8. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company or any expert named in this Prospectus 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.

9. MATERIAL CONTRACTS

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

(a) the underwriting agreement dated 29 November 2007 entered into between the Company and Kingston Securities Limited in relation to the rights issue of 1,963,537,620 rights shares at HK$0.052 per rights share on the basis of one rights share for every two shares held;

(b) the subscription agreement dated 28 February 2008 between the Company and Chen Tien Tui for the issue of a convertible note with a principal amount of HK$37,650,000 at the initial conversion price of HK$0.048 per share;

(c) the underwriting agreement dated 5 November 2008 (as amended by a supplemental agreement dated 3 December 2008) entered into between the Company and Get Nice Securities Limited in relation to the underwriting and certain other arrangements in respect of the rights issue of 667,499,000 rights shares at HK$0.15 per rights share on the basis of 10 rights shares for every share held;

(d) the formal agreement for sale and purchase dated 3 September 2009 entered into between Chancemore and Max Up Investments Limited in relation to the sale and purchase of a property at Matheson Street, Hong Kong;

(e) the formal agreement for sale and purchase dated 19 June 2009 entered into between Clever Wise and Max Palace Corporation Limited in relation to the sale and purchase of a property at Johnston Road, Hong Kong;

(f) an agreement dated 29 June 2009 entered into between Power Bright Investments Limited ("Power Bright"), a wholly-owned subsidiary of the Company, and Mr. Li Ming Hung for the sale and purchase of the entire issued share capital of Chancemore and the assignment of the shareholder's loan of Chancemore;

(g) an agreement dated 29 June 2009 entered into between Power Bright and Mr. Li Ming Hung for the sale and purchase of the entire issued share capital of Clever Wise and the assignment of the shareholder's loan of Clever Wise;

(h) the Underwriting Agreement;

(i) the deed of assignment dated 11 September 2009 entered into between Mr. Li Ming Hung, Power Bright and Chancemore in relation to the assignment of the shareholder's loan of Chancemore referred to in (f) above;

(j) the deed of assignment dated 11 September 2009 entered into between Mr. Li Ming Hung, Power Bright and Clever Wise in relation to the assignment of the shareholder's loan of Clever Wise referred to in (g) above;

(k) the assignment dated 14 September 2009 made between Chancemore and Max Up Investments Limited in relation to the completion of the purchase of the property at Matheson Street, Hong Kong by Chancemore; and

(l) the assignment dated 21 September 2009 made between Clever Wise and Max Palace Corporation Limited in relation to the completion of the purchase of the property at Johnston Road, Hong Kong by Clever Wise.

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 the 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 Prospectus or have given their opinion or advice which are contained in this Prospectus:

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants
Tony Yuen & Co.	Certified Public Accountants

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

As at the Latest Practicable Date, Deloitte Touche Tohmatsu and Tony Yuen & Co. do not have any direct or indirect interests 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 which are proposed to be acquired or disposed of by or leased to any member of the Group.

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

11. **General**

(a) The company secretary 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 principal share registrar and transfer office of the Company is The Bank of Bermuda Limited at Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda and the Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong

(d) The English text of this Prospectus 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 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for a period of 14 days from the date of this Prospectus:

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

(b) the Underwriting Agreement;

(c) the letter of Undertaking;

(d) the letters of consent referred to in the section headed “Experts and consents” of this Appendix;

(e) the accountants’ report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group;

(f) the accountants’ reports of Chancemore and Clever Wise set out in Appendix III;

(g) the material contracts referred to in the section headed “Material contracts” of this appendix;

(h) the annual reports of the Company for the two years ended 31 March 2009;

(i) the circular of the Company dated 24 July 2009 relating to the major transaction of the acquisition of Chancemore and Clever Wise;

(j) the circular of the Company dated 11 September 2009 relating to the Capital Reorganisation and the Rights Issue; and

(k) this Prospectus.