
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 0616)

**CONNECTED TRANSACTION RELATING TO
PROPOSED ISSUE OF CONVERTIBLE NOTE,
APPLICATION FOR WHITEWASH WAIVER
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to Easyknit Enterprises Holdings Limited

ALTUS CAPITAL LIMITED

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



大有融資有限公司

MESSIS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee containing its recommendations in respect of the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver to the Independent Shareholders is set out on page 23 of this circular. A letter from Messis Capital Limited containing its relevant advices to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 52 of this circular.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Friday, 7 March 2014 at 9:30 a.m. is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

* for identification only

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DEFINITIONS

Unless the context otherwise required, the following words and phrases have the following meanings:

“acting in concert”	the meaning ascribed to it under the Takeovers Code
“associates”	the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“Company”	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
“Conditions Precedent”	the conditions precedent for completion of the Subscription Agreement to take place as set out in the section headed “Conditions Precedent” in the letter from the Board of this circular
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Conversion Period”	the period during which the Noteholder may exercise the Conversion Rights to subscribe for the Conversion Shares at the Conversion Price, details of which are set out in the section headed “Principal terms of the Convertible Note” in the letter from the Board of this circular
“Conversion Price”	the conversion price at which each Conversion Share shall be issued upon a conversion of all or any part of the Convertible Note, which is initially fixed at HK\$0.68 per Conversion Share and subject to adjustments (if any)
“Conversion Rights”	the conversion rights attached to the Convertible Note
“Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon exercise of the Conversion Rights
“Convertible Note”	the convertible note in the principal amount of HK\$100,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Directors”	the directors of the Company

DEFINITIONS

“EI”	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
“EI Directors”	the directors of EI
“EI Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of EI
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Goodco” or the “Subscriber”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of EI, being a substantial shareholder of the Company (as defined in the Listing Rules)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, established for the purposes of advising the Independent Shareholders on the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver
“Independent Shareholders”	the Shareholders, other than (i) the Subscriber and parties acting in concert with it; (ii) the Directors (excluding the independent non-executive Directors); (iii) the chief executive of the Company and their respective associates; and (iv) Shareholders interested or involved in the Subscription Agreement and Whitewash Waiver
“Issue Date”	the date of issue of the Convertible Note, which shall be on the date of completion of the Subscription Agreement

DEFINITIONS

“Joint Announcement”	the joint announcement of the Company and EI dated 16 January 2014 in relation to, among other things, the proposed issue and the subscription of the Convertible Note and application for the Whitewash Waiver
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of EI, being a substantial shareholder of the Company (as defined in the Listing Rules)
“Last Trading Day”	16 January 2014, being the last trading day of the Shares prior to the execution of the Subscription Agreement
“Latest Practicable Date”	17 February 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the day that is five years after the first issue of the Convertible Note
“Messis Capital” or “Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders relating to the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver
“Noteholder”	the holder of the Convertible Note
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on 7 March 2014 for the purpose of considering, if thought fit, approving the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver

DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription of the Convertible Note by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 16 January 2014 entered into between the Company and the Subscriber in relation to the Subscription and issue of the Convertible Note
“substantial shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Target Project”	the acquisition and redevelopment of the Target Property and the buildings located at No. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong
“Target Property”	Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber and parties acting in concert with it (including but not limited to EI and Landmark Profits) to make a mandatory general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it (including but not limited to EI and Landmark Profits) pursuant to Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issue of the Conversion Shares
“%”	percent

LETTER FROM THE BOARD



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 0616)

Executive Directors:

Mr. Kwong Jimmy Cheung Tim
(Chairman and Chief Executive Director)
Ms. Lui Yuk Chu
(Deputy Chairman)
Ms. Koon Ho Yan Candy

Non-executive Directors:

Mr. Tse Wing Chiu Ricky
Mr. Lai Law Kau

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:*

Block A, 7th Floor
Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

20 February 2014

To the Shareholders,

Dear Sir or Madam,

**CONNECTED TRANSACTION RELATING TO
PROPOSED ISSUE OF CONVERTIBLE NOTE
AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Subscription Agreement entered into by the Company and the Subscriber on 16 January 2014 (pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the Convertible Note in the aggregate principal amount of HK\$100,000,000), and the application to the Executive for the Whitewash Waiver by the Subscriber and parties acting in concert with it.

* *for identification only*

LETTER FROM THE BOARD

As at the Latest Practicable Date, EI, through the Subscriber and Landmark Profits, is interested in 107,581,674 Shares, representing approximately 36.3% of the existing issued share capital of the Company. Upon issue of 147,058,823 Conversion Shares, assuming (i) exercise of the Conversion Rights at the initial Conversion Price in full; and (ii) save for the issue of such Conversion Shares, there will be no change to the issued share capital and shareholding structure of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares, the shareholding of the Subscriber and parties acting in concert with it (including but not limited to EI and Landmark Profits) in the Company will increase from approximately 36.3% (of the existing issued share capital of the Company) to approximately 57.4% (of the issued share capital of the Company as enlarged by the issue of the Conversion Shares).

Given that the allotment and issue of the Conversion Shares to the Subscriber will increase its holding of voting rights in the Company by more than 2% from the lowest percentage holding of it in the previous 12 months thereby exceeding the 2% creeper threshold specified in Rule 26.1(c) of the Takeovers Code, the Subscriber and any parties acting in concert with it (including but not limited to EI and Landmark Profits) will, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by them. The Subscriber and any parties acting in concert with it (including but not limited to EI and Landmark Profits) have made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Subscriber, parties acting in concert with it (including but not limited to EI and Landmark Profits) and any other persons who are interested or involved in the Subscription Agreement and the Whitewash Waiver will be prohibited to vote on the Subscription Agreement and the Whitewash Waiver under the Listing Rules and the Takeovers Code and will be required to abstain from voting at the SGM. If the Whitewash Waiver is not granted by the Executive, completion of the Subscription Agreement (hence the issue of the Convertible Note) will not proceed.

As at the Latest Practicable Date, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) particulars of the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver, (ii) the relevant recommendations of the Independent Board Committee, (iii) a letter of advice from the Independent Financial Adviser setting out its relevant advices to the Independent Board Committee and the Independent Shareholders, (iv) other information as required under the Listing Rules and the Takeovers Code, and (v) a notice of the SGM, to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver.

LETTER FROM THE BOARD

As the executive Directors (namely Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy) and non-executive Directors (namely Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau) are also EI Directors, they have a material interest in the transaction. Accordingly, the aforementioned Directors were required to abstain from voting on the board resolution and at the SGM in respect thereof.

THE SUBSCRIPTION AGREEMENT

Parties to and date of the Subscription Agreement

Date: 16 January 2014 (after trading hours)

Parties: the Company (as the issuer); and

Goodco Development Limited (as the Subscriber), a substantial shareholder of the Company as at the Latest Practicable Date.

Issue of the Convertible Note

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Note in the aggregate principal amount of HK\$100,000,000, which will be issued on face value and settled entirely in cash.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon the fulfilment of the following:

- (a) the Independent Shareholders having passed the ordinary resolution at the SGM to approve the Subscription Agreement and the transactions contemplated therein (including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (b) the Executive having granted the Whitewash Waiver;
- (c) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares; and
- (d) all necessary consents and approvals other than the approvals referred to in the above Conditions Precedent (a) to (c) having been obtained by the Subscriber or the Company in relation to the transactions contemplated under the Subscription Agreement.

None of the Conditions Precedent may be waived. If any of the Conditions Precedent has not been fulfilled on or before 31 March 2014 or such other date as may be agreed in writing by the Company and the Subscriber, the Subscription Agreement will lapse and the parties thereto will be released from all obligations therein, save for liabilities for any antecedent breaches of the Subscription Agreement.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the above Conditions Precedent has been fulfilled.

Conversion Price

The initial Conversion Price is HK\$0.68 per Conversion Share, which will be subject to adjustments in the event of (i) change in nominal value of the Shares upon, among others, share consolidation, share subdivision and share re-classification; (ii) issue (other than in lieu of a cash dividend) of any Shares credited as fully paid by way of capitalisation of profits or reserves; (iii) capital distribution to the Shareholders or grant to the Shareholders of rights to acquire for cash assets of the Group; (iv) offer, or grant, by the Company to the Shareholders of new Shares, or options or warrants to subscribe for new Shares, by way of rights at a price which is less than 90.0% of the relevant market price of the Shares; (v) issue of Shares or securities (the “**Relevant Convertible Securities**”) convertible into or exchangeable for or carrying rights of subscription for Shares for cash, or for acquisition of assets by the Group where the total effective price for the relevant Shares issued (for the case of issue of the Relevant Convertible Securities, including consideration receivable by the Company for the Relevant Convertible Securities and any additional minimum consideration to be received by the Company for the Shares which may be issued upon exercise of the conversion rights or exchangeable rights or subscription rights attaching to the Relevant Convertible Securities) is less than 90.0% of the relevant market price of those Shares.

The initial Conversion Price was determined by the parties after arm’s length negotiations and with reference to the historical prices during the last 12 months and the prevailing market prices of the Shares.

The initial Conversion Price represents:

- (i) a premium of approximately 6.3% over the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 15.3% over the closing price of HK\$0.59 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 18.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.57 per Share;

LETTER FROM THE BOARD

- (iv) a premium of approximately 19.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.57 per Share;
- (v) a premium of approximately 8.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.63 per Share;
- (vi) a discount of approximately 21.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including the Last Trading Day, being approximately HK\$0.87 per Share;
- (vii) a discount of approximately 39.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last 12 months up to and including the Last Trading Day, being approximately HK\$1.12 per Share;
- (viii) a discount of approximately 78.7% to the consolidated net asset value of the Company of approximately HK\$3.19 per Share based on the unaudited consolidated net assets of approximately HK\$948,811,000 as at 30 September 2013 and 296,595,900 Shares in issue as at the Latest Practicable Date; and
- (ix) a discount of approximately 71.2% to the adjusted consolidated net asset value of the Company of approximately HK\$2.36 per Share based on the unaudited consolidated net assets of approximately HK\$948,811,000 as at 30 September 2013, net proceeds of approximately HK\$98,700,000 and 443,654,723 Shares assuming immediate exercise in full of the Conversion Rights and the issue of 147,058,823 Conversion Shares to the Subscriber.

Completion

Subject to all the Conditions Precedent having been fulfilled, completion of the Subscription Agreement shall take place on the second Business Day after satisfying the conditions above, or such other date as may be agreed by the Company and the Subscriber in writing. Upon completion of the Subscription Agreement, the net proceeds of the Convertible Note of HK\$98,700,000 will be used for the acquisition and redevelopment of the Target Project.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are summarised below:

- Total issue price and principal amount upon issue : HK\$100,000,000
- Maturity Date : The date falling on the fifth anniversary of the Issue Date, on which all outstanding principal amount, together with all outstanding accrued interests, of the Convertible Note will become due and payable by the Company to the Noteholder.
- Redemption price at maturity : 100.0% of the outstanding principal amount of the Convertible Note on the Maturity Date, together with all unpaid and accrued interest due on the outstanding principal amount of the Convertible Note.
- Early redemption : Save for the occurrence of any event of default as set out in the terms and conditions of the Convertible Note, the Noteholder will not be entitled to demand early repayment of the Convertible Note.
- Interest : The Convertible Note will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 2.0% per annum. Interest will be payable semi-yearly in arrears. In the event that the Company does not pay any sum payable under the Convertible Note when due, a default interest at the rate of 5.0% per annum for the relevant default payment period will be payable by the Company.

The interest rate was determined by the parties after arm's length negotiations and with references to: (i) the prevailing market conditions; and (ii) the indicative costs of medium-to-long term debt finance (without any pledges and securities) preliminarily quoted to the Company by its banks upon general enquiries.

LETTER FROM THE BOARD

Conversion Rights : A Noteholder will have the rights to convert the whole or part of the outstanding principal amount of a Convertible Note (in amount of not less than a whole multiple of HK\$10,000,000 on each conversion, unless the outstanding principal amount of the Convertible Note to be converted is less than HK\$10,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares at any time during the Conversion Period (as detailed below) at the Conversion Price (subject to adjustments).

The Company will not be obliged to issue any Conversion Shares if (i) immediately following the conversion, the Company will be unable to meet the prescribed minimum public float requirement under the Listing Rules; or (ii) a mandatory general offer will be required to be made by the Noteholder and parties acting in concert with it under the Takeovers Code unless the Whitewash Waiver is obtained.

Conversion Period : The period from the date falling on the Issue Date up to and including the date falling on the fifth last Business Day prior to the Maturity Date.

Ranking of the Conversion Shares : The Conversion Shares, when allotted and issued upon exercise of the Conversion Rights, shall rank *pari passu* in all respects with all other then issued Shares as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.

Transferability : No assignment or transfer (whether in whole or in part(s)) of the Convertible Note may be made unless it is made to (i) the holding company; (ii) the subsidiaries; or (iii) associates of the Noteholder.

Voting : The Noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of being the Noteholder.

LETTER FROM THE BOARD

- Redemption : Save for occurrence of any events of default, the Convertible Note is not redeemable prior to the Maturity Date and the Company will repay the outstanding principal amount of the Convertible Note, together with all unpaid interests accrued thereon, on the Maturity Date.
- Others : Upon execution of the Subscription Agreement, the Subscriber has undertaken not to exercise the Conversion Rights if it would result in (i) the non-compliance of the prescribed minimum public float requirement under the Listing Rules applicable to the Company; or (ii) a mandatory general offer for the Shares being required to be made by the Subscriber and the parties acting in concert with it under the Takeovers Code unless the Whitewash Waiver is obtained.

Assuming that the Conversion Rights in relation to the total principal amount of the Convertible Note of HK\$100,000,000 are exercised in full at the Conversion Price of HK\$0.68 per Conversion Share, a total of up to 147,058,823 Conversion Shares will be allotted and issued, representing approximately 49.6% of the issued share capital of the Company as at the Latest Practicable Date and approximately 33.1% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares (assuming that save for the issue of the 147,058,823 Conversion Shares, there will be no change to the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights).

The Company will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Conversion Shares at the SGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights. No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Group is principally engaged in property investments, garment sourcing and export businesses, investment in securities and loan financing.

During the year ended 31 March 2013, the five largest suppliers of the Group accounted for approximately 100% of the Group's purchases and the largest supplier accounted for approximately 42% of the Group's purchases. In the same period, the five largest customers of the Group accounted for approximately 95% of the Group's turnover and the largest customer accounted for approximately 80% of the Group's turnover.

During the six months ended 30 September 2013, the five largest suppliers of the Group accounted for approximately 100% of the Group's purchases and the largest supplier accounted for approximately 37% of the Group's purchases. In the same period, the five largest customers of the Group accounted for approximately 96% of the Group's turnover and the largest customer accounted for approximately 76% of the Group's turnover.

As at the Latest Practicable Date, none of the Directors or their respective associates or any Shareholder had any interests in the aforesaid suppliers and customers.

INFORMATION ON THE SUBSCRIBER, EI AND LANDMARK PROFITS

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is a substantial shareholder of the Company holding 60,441,570 Shares, representing approximately 20.4% of the issued share capital of the Company as at the Latest Practicable Date. It is a wholly-owned subsidiary of EI. EI is principally engaged in property investments, property development, investment in securities and loan financing. As at the Latest Practicable date, the board of EI Directors comprises Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors, Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau as non-executive directors and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.

As at the Latest Practicable Date, Landmark Profits, a wholly-owned subsidiary of EI, owns 47,140,104 Shares (representing approximately 15.9% of the issued share capital of the Company). The Subscriber is therefore acting in concert with EI and Landmark Profits.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The following table shows the shareholding structure of the Company as at the Latest Practicable Date and immediately after the issue of 147,058,823 Conversion Shares assuming exercise in full of the Conversion Rights at the Conversion Price of HK\$0.68 per Conversion Share (based on the existing shareholding structure of the Company and assuming that save for the issue of the 147,058,823 Conversion Shares to the Subscriber, there will be no change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights):

	As at the Latest Practicable Date		Immediately after the issue of 147,058,823 Conversion Shares to the Subscriber upon exercise in full of the Conversion Rights at the initial Conversion Price	
	<i>(Note 1)</i>		<i>(Note 1)</i>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Subscriber and parties acting in concert with it				
The Subscriber <i>(Notes 2 and 4)</i>	60,441,570	20.4	207,500,393	46.8
Landmark Profits <i>(Notes 3 and 4)</i>	47,140,104	15.9	47,140,104	10.6
Sub-total	107,581,674	36.3	254,640,497	57.4
Public Shareholders	189,014,226	63.7	189,014,226	42.6
				<i>(Note 5)</i>
Total	296,595,900	100.0	443,654,723	100.0

Notes:

- The figures are derived based on the existing shareholding structure of the Company and the assumption that save for the allotment and issue of 147,058,823 Conversion Shares to the Subscriber, there will be no change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from the exercise in full of the Conversion Rights.
- The entire issued share capital of the Subscriber is indirectly held by EI.
- The entire issued share capital of Landmark Profits is directly held by EI.
- The Subscriber and Landmark Profits, are wholly-owned subsidiaries of EI and are deemed to be acting in concert for the purpose of the Takeovers Code.
- Upon the issue of 147,058,823 Conversion Shares to the Subscriber upon exercise in full of the Conversion Rights at the initial Conversion Price, the shareholding of public Shareholders will be diluted from approximately 63.7% of the issued share capital of the Company as at the Latest Practicable Date to approximately 42.6% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

LETTER FROM THE BOARD

REASONS FOR THE ISSUE OF CONVERTIBLE NOTE AND USE OF PROCEEDS

The reasons for the Company's issuance of the Convertible Note are as follows:

(i) The acquisition and redevelopment of Target Project

No. 11, 13 and 15 Matheson Street

The Company is the majority owner of a building located at No. 15 Matheson Street, Causeway Bay, Hong Kong, which exceeds 50 years of age. The building comprises five units on the first to fifth floors (approximately 83.3% of the undivided shares of that building) with the Target Property on the ground floor. The Company completed the acquisitions of the aforesaid five units in June 2012. In December 2012, the Company had, pursuant to section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545), filed an application to the Lands Tribunal for an order to sell all the undivided shares in that building for the purposes of redevelopment, with a view to acquiring the Target Property. The Lands Tribunal has fixed the date for the hearing of the above from 7 to 12 May 2014. If the Lands Tribunal makes an order for sale of the lot, the trustees of the Lands Tribunal will arrange for public auction and sale of the lot within three months from the date of the sale order. If successful in that auction, the Company may receive possession of the Target Property in September 2014. As a reference, the asking price indicated in early November 2012 by a property agent purportedly acting on behalf of the owner of the Target Property was HK\$230 million.

No. 13 Matheson Street is located next to No.15 Matheson Street which is described above. The building consists of five residential units and a retail unit on the ground floor with a cockloft. This retail unit is owned by the Company. The residential units are owned by third parties who are independent of (i) the Company; and (ii) connected persons of the Company.

The building No. 11 Matheson Street, located next to No. 13 Matheson Street, consists of five residential units on the first to fifth floors and a retail unit on the ground floor with a cockloft. This entire building is owned by third parties who are independent of (i) the Company; and (ii) connected persons of the Company.

The Target Project

The Company intends to consolidate its ownership of the entire buildings of No. 11, 13 and 15 Matheson Street, with a view of redeveloping the site. This will entail acquiring the Target Property, the five residential units at 13 Matheson Street, as well as the entire block of 11 Matheson Street from third parties who are independent of the Company. The Company had previously initiated discussions with the relevant incorporated owners expressing its interests, and intends to commence more active negotiations, which up to the Latest Practicable Date have remained in preliminary stage (save for the Target Property which is now subject to hearing by the Lands Tribunal as described above), as

LETTER FROM THE BOARD

the Directors believe that the softening of the Hong Kong property market in the recent months may be an opportune time for this. The Causeway Bay region, host to several most sought-after prime retail streets in the world, had always been a target region for the Company, which currently holds three ground-floor retail units in the region. As at the Latest Practicable Date, in view of the continuous strong tenant demand in this region (substantiated by the demand observed for the retail units of the Company mentioned above) the Directors believed the outlook of the property market in the surrounding region of the Target Project to be positive over the medium-to-long term.

The Directors estimate that the acquisitions of the above properties will require financial resources of between HK\$550 million and HK\$600 million at current prices. Thereafter, additional financial resources are needed to redevelop the site into properties for residential and/or commercial uses, which the Directors estimate will take approximately three years. Redevelopment costs will be required for planning and design, demolition, foundation works, superstructure construction and interior works, and is currently estimated to be between HK\$150 million and HK\$200 million at current prices. Out of these redevelopment costs, about 10% is estimated to be utilised in the pre-construction phase, which would involve developing of plans, drawing up specifications, obtaining financing, financial budgets and obtaining relevant permits. Thereafter costs incurred in the initial construction phase, involving demolition and the building of foundation and framework of the building are estimated to account for about 60% of the redevelopment costs. The finishing phase, including work such as installation of interior components like mechanical systems as well as furnishings, is estimated to account for 20% of the redevelopment costs with the post construction phase (involving final finishing and inspections) accounting for the remaining 10% of the redevelopment costs.

Method of financing the Target Project

The Company needs immediate access to cash resources for the above acquisition of properties as agreements may be reached with the sellers at any time during the negotiation process, which the Company will have to act upon promptly. The need to have ready cash access is argued by the softening of the Hong Kong property market in the recent months, which may prove to be a timely development in favour of the Company in the negotiation process. Meanwhile, bank financing for property acquisitions (especially the residential units) is not readily available and if available, the loan amounts are likely to be low relative to the acquisition prices given the age and run-down states for the properties in question. In the meantime, bank financing will likely be available for the redevelopment phase of the Target Project.

Given the lack of available bank financing described above, the Directors have had to consider options such as equity issuances, which issue prices are normally constrained by market prices of the Shares. As discussed below, market demand for the Company's equity issuances is limited at this point in time. Having considered that the initial Conversion Price is at a premium to market prices and that the dilution effect will set in only if the Convertible Note is converted; on balance, the Directors are of the view that the issue of the Convertible Note is an expedient method to raise funds for the Company at this point in time.

LETTER FROM THE BOARD

The Company's current financial resources

Over the past 15 months, the Company had conducted various equity fund-raising exercises for the acquisition of the Target Property and the related redevelopment. Details of these fund-raising exercises are set out in the section headed "Fund-raising activities of the Company in the past 12 months prior to the Latest Practicable Date" in this letter. Subsequent to these exercises, as at 31 December 2013, the Group had unaudited bank balances and cash of approximately HK\$452 million (which include proceeds from the rights issue completed in December 2013). Other than this amount, RMB64 million (equivalent to approximately HK\$81 million) is tied up in the PRC since 2012 as investment capital which is in practice not feasible to be transferred back to Hong Kong. In addition, as at 31 December 2013, the Company had a portfolio of securities investment with fair value of approximately HK\$106 million.

As shown above, the Company currently does not have sufficient cash resources to complete the acquisition of the relevant properties under the Target Project.

(ii) Expedient fund-raising alternative

As shown in the section headed "Fund-raising activities of the Company in the past twelve months prior to the Latest Practicable Date" below, the fund-raising exercises of the Company in the past had been mainly through rights issues of Shares and placing of new Shares. For the purpose of this fund-raising, the Company has enquired with potential underwriters on various equity issuance alternatives. Based on their feedback, market demand for such issuance is limited at this point in time.

For this reason, the Directors consider the issuance of Convertible Note to EI (which has indicated its willingness to subscribe for the Convertible Note) a suitable fund-raising method during this period.

The gross proceeds from the issue of the Convertible Note will be HK\$100,000,000 and the net proceeds are estimated to be approximately HK\$98,700,000 respectively. Pursuant to the terms of the Subscription Agreement, upon completion thereof, the net proceeds will be used for the acquisition and redevelopment of the Target Project.

Having considered the above, the Directors (excluding the independent non-executive Directors, whose opinion is set out in the "Letter from the Independent Board Committee" in this circular) are of the view that the Subscription Agreement, the transactions contemplated therein and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS PRIOR TO THE LATEST PRACTICABLE DATE

Date of announcement	Fund-raising activities	Net proceeds raised (<i>approximate</i>)	Intended use of net proceeds	Actual use of net proceeds (<i>approximate</i>)
11 October 2012	Rights issue of shares	HK\$113 million	For the acquisition of the Target Property	To be applied as intended
28 January 2013	Placing of new shares under general Mandate	HK\$30 million	For the acquisition of the Target Property	To be applied as intended
5 April 2013	Rights issue of shares	HK\$122 million	For the acquisition of the Target Property	To be applied as intended
11 September 2013	Placing of new shares under general mandate	HK\$20 million	For general working capital	To be applied as intended
3 October 2013	Rights issue of shares	HK\$146 million	HK\$102 million – for future redevelopment cost of the Target Property HK\$44 million – for general corporate purposes	To be applied as intended To be applied as intended

Save as disclosed in this section, the Company had not conducted any other fund-raising activities in the past 12 months immediately before the Latest Practicable Date.

INTENTION OF THE SUBSCRIBER

It is the intention of the Subscriber that the Group will continue its current business, and the Subscriber has no intention to make any major changes to the business (including redeployment of fixed assets of the Group) or continued employment of the employees of the Group.

Given that the Subscriber has no intention to change any businesses and employments of the Group, the Directors are of the view that there will be no distortion or interruption to the Group's operations which will continue to be operated upon completion of the Subscription as before.

LETTER FROM THE BOARD

THE WHITEWASH WAIVER

As at the Latest Practicable Date, EI, through the Subscriber and Landmark Profits, is interested in 107,581,674 Shares, representing approximately 36.3% of the existing issued share capital of the Company. Upon issue of 147,058,823 Conversion Shares, assuming (i) exercise of the Conversion Rights at the initial Conversion Price in full; and (ii) save for the issue of such Conversion Shares, there will be no change to the issued share capital and shareholding structure of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares, the shareholding of the Subscriber and parties acting in concert with it (including but not limited to EI and Landmark Profits) in the Company will increase from approximately 36.3% (of the existing issued share capital of the Company) to approximately 57.4% (of the issued share capital of the Company as enlarged by the issue of the Conversion Shares).

Given that the allotment and issue of the Conversion Shares to the Subscriber will increase its holding of voting rights in the Company by more than 2% from the lowest percentage holding of it in the previous 12 months thereby exceeding the 2% creper threshold specified in Rule 26.1(c) of the Takeovers Code, the Subscriber and any parties acting in concert with it (including but not limited to EI and Landmark Profits) will, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by them. The Subscriber and any parties acting in concert with it (including but not limited to EI and Landmark Profits) have made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Subscriber, parties acting in concert with it (including but not limited to EI and Landmark Profits) and any other persons who are interested or involved in the Subscription Agreement and the Whitewash Waiver will be prohibited to vote on the Subscription Agreement and the Whitewash Waiver under the Listing Rules and the Takeovers Code and will be required to abstain from voting at the SGM. If the Whitewash Waiver is not granted by the Executive, completion of the Subscription Agreement (hence the issue of the Convertible Note) will not proceed.

The Executive has indicated that, subject to the approval by the Independent Shareholders at the SGM by way of poll, it will grant the Whitewash Waiver.

In the event that the Whitewash Waiver is granted by the Executive, and the voting rights in the Company of EI exceed 50% of the voting rights of the Company resulting from the exercise of the Conversion Rights to subscribe for the Conversion Shares, the Subscriber and parties acting concert with it (including but not limited to EI and Landmark Profits) may increase its shareholding in the Company after such exercise of the Conversion Rights without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

EI has confirmed that neither the Subscriber nor any parties acting in concert with it (including Landmark Profits) have acquired voting rights in the Company nor dealt in any securities of the Company (and there have been no disqualifying transactions for the purpose of paragraph 3 of Schedule VI to the Takeovers Code), within the six months period up to and including the Latest Practicable Date.

LETTER FROM THE BOARD

EI has confirmed that as at the Latest Practicable Date, (i) 60,441,570 Shares, representing approximately 20.4% of the existing issued share capital of the Company, are held by the Subscriber; and (ii) 47,140,104 Shares, representing approximately 15.9% of the existing issued share capital of the Company, are held by Landmark Profits.

EI, the Subscriber and Landmark Profits have further confirmed that save for the Subscription Agreement (together with the Convertible Note to be issued to it upon completion of the Subscription Agreement, and the Conversion Shares which may be allotted and issued to it upon exercise of the Conversion Rights attaching to the Convertible Note) and the Whitewash Waiver, as at the Latest Practicable Date:

- (i) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares, shares of the Subscriber or EI Shares and which might be material to the Subscription and the Whitewash Waiver;
- (ii) there is no agreement or arrangements to which any of the Subscriber or any parties acting in concert with it (including but not limited to EI and Landmark Profits) is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver;
- (iii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Subscriber or any person acting in concert with it;
- (iv) other than the approximately 36.3% in aggregate of the issued share capital of the Company as at the Latest Practicable Date held by the Subscriber and Landmark Profits, neither the Subscriber nor any parties acting in concert with it (including but not limited to EI and Landmark Profits) owns, controls or has direction over any voting rights, rights over Shares, convertible securities, warrants or options of the Company;
- (v) neither the Subscriber nor any parties acting in concert with it (including but not limited to EI and Landmark Profits) has received an irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Subscription and the Whitewash Waiver; and
- (vi) there are no relevant securities (as defined Note 4 to Rule 22 in the Takeovers Code) in the Company which the Subscriber or any person acting in concert with it has borrowed or lent.

LETTER FROM THE BOARD

Financial information of the Company

Based on the interim report of the Company for the six months ended 30 September 2013, the unaudited net asset value of the Company was approximately HK\$949 million. Set out below is certain financial information extracted from the latest annual report of the Company.

	For the year ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Revenue	223,756	286,916
Loss before taxation	(1,138)	(40,670)
Profit/(Loss) after taxation	4,695	(34,762)

LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Subscriber, who is interested in approximately 20.4% of the issued share capital of the Company, is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Subscriber, and the parties acting in concert (including but not limited to EI and Landmark Profits) shall abstain from voting at the SGM on the resolution approving the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver.

THE SGM

The SGM will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Friday, 7 March 2014 at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, pass the resolution to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver. In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the resolution to be proposed at the SGM will be taken by poll, the results of which will be published after the SGM.

Whether or not you intend to attend and vote at the SGM in person, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire.

LETTER FROM THE BOARD

RECOMMENDATIONS

Based on the relevant information disclosed herein, the Directors (excluding those in the Independent Board Committee) are of the view that the Subscription Agreement, the transactions contemplated therein and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to (i) the letter from the Independent Board Committee containing its recommendations to Independent Shareholders as set out on page 23 of this circular; and (ii) the letter from Independent Financial Adviser setting out its relevant advices to the Independent Board Committee and Independent Shareholders as set out on pages 24 to 52 of this circular, in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the appendices to this circular and the notice of SGM as set out on pages N-1 to N-2, which form part of this circular.

Shareholders and potential investors should note that completion of the Subscription Agreement is subject to the Conditions Precedent and completion thereof may not proceed unless (a) Independent Shareholders approve the resolution regarding the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver by way of poll at the SGM; and (b) the Whitewash Waiver is granted by the Executive. Completion of the Subscription Agreement (hence the issue of the Convertible Note) will not proceed if any of these approvals are not obtained. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the shares and any other securities of the Company.

Yours faithfully,

By Order of the Board

EASYKNIT ENTERPRISES HOLDINGS LIMITED

Kwong Jimmy Cheung Tim

Chairman and Chief Executive Officer



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 0616)

20 February 2014

To the Independent Shareholders,

Dear Sir or Madam,

**CONNECTED TRANSACTION RELATING TO
PROPOSED ISSUE OF CONVERTIBLE NOTE
AND
APPLICATION FOR WHITEWASH WAIVER**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver, details of which are set out in the letter from the Board in the circular (the “**Circular**”) of the Company dated 20 February 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter from Messis Capital Limited as set out on pages 24 to 52 of the Circular, which contains its advices and recommendations to us as to whether or not the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advices and recommendations.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Messis Capital Limited as stated in its aforementioned letter, we are of the opinion that the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

Kan Ka Hon

*Independent non-executive
Director*

Lau Sin Ming

*Independent non-executive
Director*

Foo Tak Ching

*Independent non-executive
Director*

* *for identification only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated therein and the Whitewash Waiver which has been prepared for the purpose of incorporation in this circular.



大有融資有限公司
MESSIS CAPITAL LIMITED

20 February 2014

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

Dear Sir/Madam,

**CONNECTED TRANSACTION RELATING TO
PROPOSED ISSUE OF CONVERTIBLE NOTE
AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the proposed issue of the Convertible Note and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 20 February 2014 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 16 January 2014, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Note in the aggregate principal amount of HK\$100,000,000. The initial Conversion Price is HK\$0.68 per Conversion Share, and the Convertible Note carry an interest of 2.0% per annum and will mature on the fifth anniversary of the Issue Date.

Given that the Subscriber is a connected person of the Company, the Subscription constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

The allotment and issue of the Conversion Shares to the Subscriber upon full conversion of the Convertible Note at the initial Conversion Price will, assuming no other change in the issued share capital of the Company, increase the Subscriber’s holding of voting rights in the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company by more than 2% from the lowest percentage holding of it in the previous 12 months and thereby exceeding the 2% creeper threshold as specified in Rule 26.1(c) of the Takeovers Code. The Subscriber will therefore, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Pursuant to the Subscription Agreement, the granting of the Whitewash Waiver by the Executive is one of the Conditions Precedent which may not be waived by either party thereto.

An Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, has been formed to advise the Independent Shareholders on the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver. Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau, being non-executive Director, are also non-executive EI Directors. In order to avoid any conflict of interests, Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau will not be members of the Independent Board Committee. All members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Subscription and the Whitewash Waiver and are thus suitable to give advice and recommendation to the Independent Shareholders.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. We do not by this letter warrant the merits of the above transactions other than to form an opinion for the purpose of the Listing Rules and the Takeovers Code. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the Subscription Agreement was entered into in the ordinary and usual course of the business of the Company and on normal commercial terms; (ii) the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Subscription Agreement and the transactions contemplated therein and the Whitewash Waiver at the SGM.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date of the SGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Shareholders as a result of the Subscription and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

(A) The Subscription Agreement

In arriving at our opinion in respect of the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

(1) Reasons for entering into the Subscription Agreement

The Target Project

As disclosed in the Board Letter, the Company is the majority owner of a building located at No. 15 Matheson Street, Causeway Bay, Hong Kong, which exceeds 50 years of age. The building comprises 5 units on the first to fifth floors (approximately 83.3% of the undivided shares of that building) with the Target Property on the ground floor. The Company completed the acquisitions of the aforesaid 5 units in June 2012. In December 2012, the Company had, pursuant to section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545), filed an application to the Lands Tribunal for an order to sell all the undivided shares in that building for the purposes of redevelopment, with a view to acquiring the Target Property. The Lands Tribunal has fixed the date for the hearing of the above from 7 to 12 May 2014. If the Lands Tribunal makes an order for sale of the lot, the trustees of the Lands Tribunal will arrange for public auction and sale of the lot within 3 months from the date of the sale order. If successful in that auction, the Company may receive possession of the Target Property in September 2014. The Directors have advised that the asking price indicated in early November 2012 by a property agent purportedly acting on behalf of the owner of the Target Property was HK\$230 million.

No. 13 Matheson Street is located next to No. 15 Matheson Street which is described above. The building consists of five residential units and a retail unit on the ground floor with a cockloft. This retail unit is owned by the Company. The residential units are owned by third parties who are independent of (i) the Company; and (ii) connected persons of the Company.

The building No. 11 Matheson Street, located next to No. 13 Matheson Street, consists of five residential units on the first to fifth floors and a retail unit on the ground floor with a cockloft. This entire building is owned by third parties who are independent of (i) the Company; and (ii) connected persons of the Company.

The Company intends to consolidate its ownership of the entire buildings of No. 11, 13 and 15 Matheson Street, with a view of redeveloping the site. This will entail acquiring the Target Property, the five residential units at 13 Matheson Street, as well as the entire block of 11 Matheson Street from third parties who are independent of the Company. The Company had previously initiated discussions with the relevant incorporated owners expressing its interests, and intends to commence more active negotiations as the Directors believe that the softening of the Hong Kong property market in the recent months may be an opportune time for this.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financing required for the acquisition of properties for the Target Project

The Directors estimate that the acquisitions of the above properties will require financial resources of between HK\$550 million and HK\$600 million at current prices. In this connection, we have discussed with the Directors regarding the estimation of the total amount of financial resources required for the acquisition of the properties in relation to the Target Project. We note that in arriving at the estimation of approximately HK\$550 million to HK\$600 million (at current prices), the Directors have made reference to the asking price proposed by the representative of the current owners of the properties as well as the recent transaction prices of nearby comparable properties.

Thereafter, additional financial resources are needed to redevelop the site into properties for residential and/or commercial uses, which the Directors estimate will take approximately 3 years. Redevelopment costs will be required for planning and design, demolition, foundation works, superstructure construction and interior works, and is currently estimated to be between HK\$150 million and HK\$200 million at current prices. In this connection, we have reviewed a breakdown provided by the Company in respect of the estimated redevelopment costs. We have also discussed with the Directors and noted that, as disclosed in the Board Letter, the Directors are of the view that bank financing will likely be available for the redevelopment phase of the Target Project.

The Directors have advised that the Company needs immediate access to cash resources for the acquisition of properties for the Target Project as agreements may be reached with the sellers at any time during the negotiation process, which the Company will have to act upon promptly.

As disclosed in the Board Letter, the Company had conducted various equity fund-raising exercises for the acquisition of the Target Property and the related redevelopment and set out below is a summary of funding raising activities of the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Fund-raising activities	Net proceeds raised (approximate)	Intended use of net proceeds	Actual use of net proceeds (approximate)
11 October 2012	Rights issues	HK\$113 million	For the acquisition of the Target Property	To be applied as intended
28 January 2013	Placing of new shares under general mandate	HK\$30 million	For the acquisition of the Target Property	To be applied as intended
5 April 2013	Rights issues	HK\$122 million	For the acquisition of the Target Property	To be applied as intended

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Date of announcement	Fund-raising activities	Net proceeds raised (approximate)	Intended use of net proceeds	Actual use of net proceeds (approximate)
11 September 2013	Placing of new shares under general mandate	HK\$20 million	For general working capital	To be applied as intended
3 October 2013	Rights issues	HK\$146 million	HK\$102 million for future redevelopment cost of the Target Property; and HK\$44 million for general corporate purpose	To be applied as intended To be applied as intended

As disclosed in the Board Letter, as at 31 December 2013, the Group had unaudited bank balances and cash of approximately HK\$452 million (which include proceeds from the rights issue completed in December 2013). Other than this amount, RMB64 million (equivalent to approximately HK\$81 million) is tied up in the PRC since 2012 as investment capital which is in practice not feasible to be transferred back to Hong Kong. In addition, as at 31 December 2013, the Company had a portfolio of securities investment with fair value of approximately HK\$106 million.

Based on the foregoing, we note that the aggregate of the Group's total bank balances and cash (other than the RMB64 million which is tied up in the PRC as investment capital) that is immediately available to the Group amounted to approximately HK\$452 million as at 31 December 2013 (the "**Available Financial Resources**"), which is insufficient for the acquisition of the above-mentioned properties for the Target Project (which, as mentioned above, will require financial resources of between HK\$550 million and HK\$600 million at current prices according to Directors' estimation).

In this connection, we have reviewed the consolidated management accounts of the Group for the nine months ended 31 December 2013 and the relevant bank statements supporting the Group's Available Financial Resources. Based on our review, we note that the Group had Available Financial Resources of approximately HK\$452 million as at 31 December 2013.

Although the Target Project is still in a negotiation stage for the acquisition of the remaining properties located at No. 11, 13 and 15 Matheson Street and the Group has already had Available Financial Resources of approximately HK\$452 million, we note that:

- (a) as mentioned above, the Company is already the majority owner of the building located at No. 15 Matheson Street and the owner of the retail unit located on the ground floor (with a cockloft) at No. 13 Matheson Street, and the Company has already initiated discussions with the relevant owners for the acquisition of all remaining properties located at No. 11, 13 and 15 Matheson Street;

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- (b) as the negotiation process has already commenced, agreements may be reached with the relevant owners at any time during the negotiation process, upon which the Company will have to act promptly with sufficient financial resources to proceed with the acquisition of the properties in question; and
- (c) as mentioned above, we have discussed with the Directors regarding the estimation of the total amount of financial resources required for the acquisition of the remaining properties at No. 11, 13 and 15 Matheson Street. We note that in arriving at the estimation of approximately HK\$550 million to HK\$600 million (at current prices), the Directors have made reference to the asking price proposed by the representative of the current owners of the properties as well as the recent transaction prices of nearby comparable properties.

Based on the foregoing, we concur with the view of the Directors that the Company needs immediate access to additional cash resources in preparation for the potential agreements that may be reached at any time with the current owners of the remaining properties at No. 11, 13 and 15 Matheson Street.

Financing alternatives

As mentioned above, the fund-raising activities of the Company in the past twelve months prior to the Latest Practicable Date had been mainly through rights issues and placing of new shares. As advised by the Directors, for the purpose of this fund-raising, the Company has enquired with potential underwriters on various equity issuance alternatives. Based on their feedback, market demand for such issuance is limited at this point in time. In this connection, we have reviewed the correspondence between the Company and potential underwriters and we note that the feedbacks from potential underwriters indicated a lack of market interest in the Company's potential equity issuance at present.

The Directors have also advised that bank financing for the property acquisitions (especially the residential units) is not readily available and if available, the loan amounts are likely to be low relative to the acquisition prices given the age and the run-down states for the properties in question. In this connection, we note from the website of the Hong Kong Monetary Authority (“**HKMA**”) that HKMA has issued various prudential measures over the past few years which introduced different limits on the amount of bank financing that one may obtain for property acquisitions. As such, we concur with the view of the Directors that the amount of any bank financing (if available) is likely to be low relative to the acquisition prices. In addition, we note that unlike bank financing, the issuance of the Convertible Note to the Subscriber does not require any pledging of real estates.

Based on the above, we concur with the view of the Directors that the issuance of Convertible Note to the Subscriber is a suitable fund-raising method at this point in time given that the Subscriber has indicated its willingness to subscribe for the Convertible Note.

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The gross proceeds from the issue of the Convertible Note will be HK\$100,000,000 and the net proceeds are estimated to be approximately HK\$98,700,000. Pursuant to the terms of the Subscription Agreement, upon completion thereof, the net proceeds will be used for the acquisition and redevelopment of the Target Project.

Background of the Subscriber

As disclosed in the Board Letter, the Subscriber is a company incorporated in the British Virgin Islands with limited liability and is a substantial Shareholder holding 60,441,570 Shares, representing approximately 20.4% of the issue share capital of the Company as at the Latest Practicable Date. The Subscriber is also a wholly-owned subsidiary of EI. According to the Rule 14A.11(1) of the Listing Rules, the Subscriber is a connected person of the Company.

Business overview of the Group

The Group is principally engaged in property investments, garment sourcing and export businesses, investment in securities and loan financing.

The following table summarises the consolidated financial results of the Group from its continuing operations for each of the two years ended 31 March 2013 and the six months ended 30 September 2012 and 30 September 2013, which are extracted from the Company's annual report for the year ended 31 March 2013 (the "Annual Report") and its interim report for the six months ended 30 September 2013 (the "Interim Report") respectively:

	Year ended 31 March 2012 HK\$'000	Year ended 31 March 2013 HK\$'000	Six months ended 30 September 2012 HK\$'000 (unaudited)	Six months ended 30 September 2013 HK\$'000 (unaudited)
Turnover				
Property investments	5,998	11,780	5,512	6,345
Garment sourcing and exporting	280,918	211,770	114,653	96,969
Investment in securities	-	-	-	-
Loan financing	-	206	-	439
Consolidated	<u>286,916</u>	<u>233,756</u>	<u>120,165</u>	<u>103,753</u>
Segment profit/(loss)				
Property investments	36,827	(23,018)	(41,857)	10,668
Garment sourcing and exporting	(61,799)	(1,601)	(450)	(2,077)
Investment in securities	(14,711)	7,472	(2,309)	(992)
Loan financing	-	126	-	379
Consolidated	<u>(39,683)</u>	<u>(17,021)</u>	<u>(44,616)</u>	<u>7,978</u>

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The following table summarises the consolidated financial position of the Group as at 31 March 2012 and 2013 and 30 September 2013, which is extracted from the Annual Report and the Interim Report:

	As at 31 March 2012	As at 31 March 2013	As at 30 September 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Non-current assets	371,883	630,515	647,345
Current assets	290,253	373,464	518,862
Current liabilities	41,012	31,298	44,304
Non-current liabilities	12,888	174,802	173,092
Capital and reserves	608,236	797,879	948,811

We note from the Annual Report and the Interim Report that the majority of the non-current assets of the Group as at each of the reporting dates stated in the above table was investment properties. For instance, as at 30 September 2013, out of the non-current assets of approximately HK\$647,375,000, investment properties amounted to approximately HK\$629,714,000.

We also note that there was a significant increase in the Group's non-current assets from approximately HK\$371,883,000 as at 31 March 2012 to approximately HK\$630,515,000 as at 31 March 2013 as shown in the above table, which was primarily due to the acquisition of the aforementioned 5 properties located at 15 Matheson Street and a property at ground floor of 6 Cannon Street, Causeway Bay, Hong Kong during the year ended 31 March 2013. It was also disclosed in the Annual Report that a new secured bank borrowing was obtained during the year ended 31 March 2013 and the proceeds were used to finance the acquisition of the investment properties, resulting in the increase in the non-current liabilities of the Group from approximately HK\$12,888,000 as at 31 March 2012 to approximately HK\$174,802,000 as at 31 March 2013.

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The following table shows an analysis of the consolidated total assets of the Group by operating and reportable segments as at 31 March 2012 and 2013 and 30 September 2013, which is extracted from the Annual Report and the Interim Report:

	As at 31 March 2012 <i>HK\$'000</i>	As at 31 March 2013 <i>HK\$'000</i>	As at 30 September 2013 <i>HK\$'000</i> (unaudited)
Segment assets			
Property investments	466,959	705,339	723,603
Garment sourcing and exporting	24,283	20,952	21,129
Investment in securities	58,990	72,909	100,308
Loan financing	–	17,588	17,591
Unallocated bank balances and cash	111,512	186,936	173,335
Bank deposits with original maturity of more than three months	–	–	130,000
Others	392	255	241
	<u>662,136</u>	<u>1,003,979</u>	<u>1,166,207</u>
Consolidated	<u>662,136</u>	<u>1,003,979</u>	<u>1,166,207</u>

We note that the Company has disclosed in the Annual Report that “*the Group will continue seeking opportunities in the acquisition of properties in good locations, keep on revising and adjusting development plans, marketing strategies to tackle the changes in the market conditions*” and that the Group “*expected that revenue and contribution from property investment segment would continue to grow and become one of the Group’s major recurring and reliable income sources*”.

We note that the Target Project, which involves the acquisition and redevelopment of properties located in Causeway Bay, Hong Kong, is consistent with the above-mentioned strategy of the Group which has previously been disclosed by the Company in the Annual Report.

We further note that as mentioned in the paragraph headed “Financing required for the acquisition of properties for the Target Project” above, the intended uses of the proceeds in respect of most of the funding raising activities of the Company in the past twelve months prior to the Latest Practicable Date were related to the Target Project.

Overview of the Hong Kong property market

Over the past two years, the Hong Kong government has introduced various measures in relation to the property market in Hong Kong. Such measures were aimed at addressing “the overheated property market” in Hong Kong, according to official government statements. Nevertheless, we note that the property prices in general maintained an upward trend over the past two years based on the data available from the Rating and Valuation Department of the Hong Kong government.

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The table below summaries the rental and price indices of private residential properties in Hong Kong:

Year	Month	Rents	Prices
2011		134.0	182.1
2012		142.6	206.2
2013	1-3	151.7	237.5
	4-6	153.5	241.2
	7-9	155.8	245.6
	10-12*	156.9	245.2

Sources: Hong Kong Property Review – Monthly Supplement January 2014 published by the Rating and Valuation Department of the Hong Kong government

** denotes provisional figures*

As shown in the table above, the rental and price indices of private residential properties have been increasing since 2011. The rental index climbed from 134.0 in 2011 to 156.9 in the fourth quarter of 2013, representing an increase of approximately 17.1% over the entire period. Meanwhile, the price index increased from 182.1 in 2011 to 245.2 in the fourth quarter of 2013, representing a growth of approximately 34.7% over the entire period.

The table below illustrates the rental and price indices of private retail properties in Hong Kong:

Year	Month	Rents	Prices
2011		134.3	327.4
2012		151.3	420.5
2013	1-3	160.4	501.3
	4-6	165.7	509.2
	7-9*	168.1	510.5
	10-12*	167.3	504.3

Sources: Hong Kong Property Review – Monthly Supplement January 2014 published by the Rating and Valuation Department of the Hong Kong government

** denotes provisional figures*

As shown in the table above, the rental index of private retail properties climbed from 134.3 in 2011 to 167.3 in the fourth quarter of 2013, representing an increase of approximately 24.6% over the entire period. Meanwhile, the price index increased from 327.4 in 2011 to 504.3 in the fourth quarter of 2013, representing a growth of approximately 54.0% over the entire period.

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Our view

Based on the above and having considered in particular that:

- (i) the acquisitions of the relevant properties for the Target Project will require financial resources of between HK\$550 million and HK\$600 million at current prices as estimated by the Directors while the Available Financial Resources of the Group amounted only to approximately HK\$452 million as at 31 December 2013;
- (ii) the Company has already commenced negotiations with the current owners of the properties and therefore agreements may be reached at any time, upon which the Company will need to act promptly with sufficient financial resources to proceed with the acquisition of the properties;
- (iii) the Subscriber has indicated its willingness to subscribe for the Convertible Note while other equity financing alternatives are lacking market demand based on the feedback from potential underwriters and bank financing may not be readily available and even if available the loan amounts are likely to be low relative to the acquisition prices given the age and the run-down states for the properties in question;
- (iv) the Target Project is consistent with the strategy of the Group which has previously been disclosed by the Company in the Annual Report; and
- (v) the property prices have demonstrated an increasing trend in general despite the various cooling measures introduced by the Hong Kong government over the past two years,

we consider that the entering into of the Subscription Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

(2) Principal terms of the Subscription Agreement

Conversion Price

The initial Conversion Price is HK\$0.68 per Conversion Share, which is subject to adjustments as described in the paragraph headed “Adjustments to the initial Conversion Price” below.

As stated in the Board Letter, the initial Conversion Price was determined by the parties to the Subscription Agreement after arm’s length negotiations and with reference to the historical prices during the last twelve months and the prevailing market prices of the Shares.

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In considering the fairness and reasonableness of the initial Conversion Price, we have conducted the following analyses:

Comparison of the initial Conversion Price with the prevailing Share price

We note that the initial Conversion Price of HK\$0.68 per Conversion Share represents:

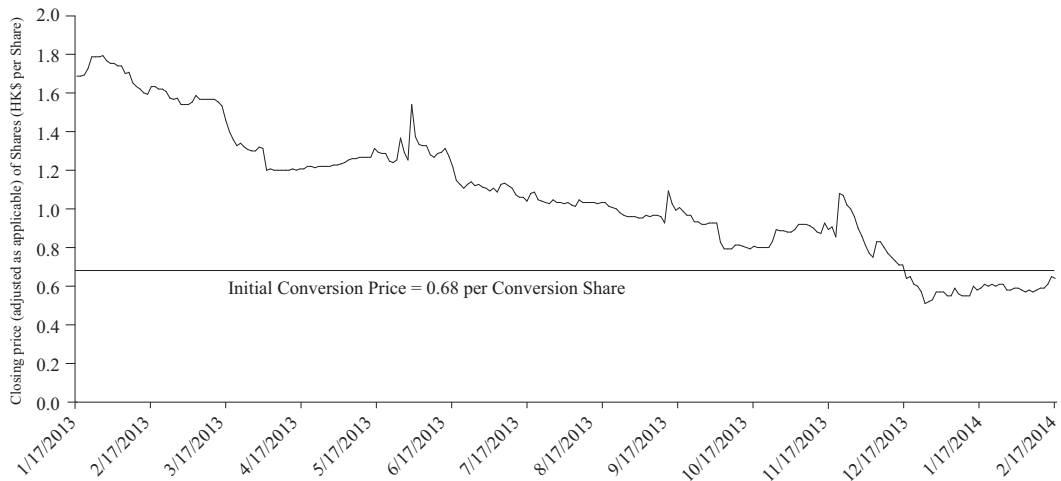
- (a) a premium of approximately 6.3% over the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 15.3% over the closing price of HK\$0.59 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 18.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.57 per Share;
- (d) a premium of approximately 19.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.57 per Share; and
- (e) a premium of approximately 8.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.63 per Share.

Based on the above, we note that the initial Conversion Price represents a premium over the prevailing market price of the Shares in general.

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Comparison of the initial Conversion Price with historical price of the Shares

We have reviewed the daily closing price (adjusted for previous share consolidation and rights issue as applicable) of the Shares as quoted on the Stock Exchange for the twelve-month period ended on and including the Last Trading Day together with the period commencing from the date immediately after the Last Trading Day up to and including the Latest Practicable Date (the “**Review Period**”):



During the Review Period, the closing prices (adjusted as applicable) of the Shares ranged from HK\$0.510 per Share to HK\$1.793 per Share. While the initial Conversion Price is within such range of the closing prices of the Shares during the Review Period, we note that the initial Conversion Price represents:

- (a) a discount of approximately 21.9% to the average of the closing prices (adjusted as applicable) of the Shares as quoted on the Stock Exchange for last six months up to and including the Last Trading Day, being approximately HK\$0.87 per Share; and
- (b) a discount of approximately 39.2% to the average of the closing prices (adjusted as applicable) of the Shares as quoted on the Stock Exchange for last 12 months up to and including the Last Trading Day, being approximately HK\$1.12 per Share.

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Notwithstanding such discount, we note that the initial Conversion Price represents a premium over the prevailing market price of the Shares in general as analysed in the paragraph headed “Comparison of the initial Conversion Price with the prevailing Share price” above. We consider that the comparison of the initial Conversion Price with the prevailing Share price is a more relevant analysis than the comparison with historical Share prices over the past six to twelve months when determining the fairness and reasonableness of the initial Conversion Price as the current market price of the Shares can directly reflect the value of shares in prevailing market conditions.

Comparison of the initial Conversion Price with the net asset value per Share

We note that the initial Conversion Price of HK\$0.68 per Conversion Share represents a discount of approximately 78.8% to the consolidated net asset value of the Group of approximately HK\$3.20 per Share based on the unaudited consolidated net assets of approximately HK\$948,811,000 as at 30 September 2013 as disclosed in the Interim Report and the total number of 296,595,900 Shares in issue as at the Latest Practicable Date. We note that the discount of approximately 78.8% to the consolidated net asset value of the Group represented by the initial Conversion Price is substantial.

We note that none of the issuers of the Comparable Issues (as defined below) is primarily engaged in property development or property investment in Hong Kong.

While one of the principal business activities of the Group is property investments, the Group has three other business segments, namely, garment sourcing and exporting, investment in securities, and loan financing. As such, we consider that the current market price of the Shares can directly reflect the value of the Shares that is generally perceived by the market having taken into account all business segments of the Group as well as the prevailing market conditions.

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We have reviewed the trading volume data in respect of the Shares since the start of January 2013 up to the Latest Practicable Date as illustrated in the table below:

Month	Number of trading days in the month	Average daily trading volume of the Shares	Average daily trading volume as a percentage of the then total number of Shares in issue	Average daily trading volume as a percentage of the then total number of issued Shares held by the public
2013				
January	22	3,578,386	1.43%	2.56%
February	17	3,700,423	1.07%	1.88%
March	20	6,538,316	1.59%	2.81%
April	20	1,824,674	0.44%	0.78%
May	21	2,232,601	0.54%	0.96%
June	19	11,525,168	2.18%	3.85%
July	22	7,037,553	0.43%	0.76%
August	21	15,198,620	0.92%	1.63%
September	20	63,273,971	3.64%	6.23%
October	21	29,586,773	1.50%	2.35%
November	21	11,935,978	2.40%	3.77%
December	20	1,537,177	0.92%	1.44%
2014				
January	21	1,727,291	0.58%	0.91%
February (up to and including the Latest Practicable Date)	10	1,266,037	0.43%	0.67%

Source: The website of the Stock Exchange as well as next day disclosure returns, monthly returns and announcements published by the Company on the website of the Stock Exchange

We note that the average number of Shares traded per trading day in each month from January 2013 up to and including the Latest Practicable Date ranged from approximately 0.67% to approximately 6.23% of the then total number of issued Shares held by the public, and as such, we consider that the trading liquidity of the Shares was at a level that was reasonably sufficient to reflect the value of the Shares generally perceived by the market under the prevailing market conditions. We further note that such market value of the Shares itself (which averages at approximately HK\$0.57 per Share for the last 10 consecutive trading days up to and including the Last Trading Day and at approximately HK\$0.63 per Share for the last 30 consecutive trading days up to and

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including the Last Trading Day) represents a substantial discount (of approximately 80.3% and approximately 82.2% respectively) to the consolidated net asset value per Share of approximately HK\$3.20 per Share.

Comparison with recent issues of convertible notes by listed issuer

For comparison purpose, we have, on a best effort basis, conducted a search of all recent issues of convertible bond(s) or convertible note(s) by companies listed on the Stock Exchange that were announced during the three-month period prior to the Last Trading Day and the period starting from the Last Trading Day up to and including the Latest Practicable Date (the “**Comparable Issues**”) by searching through published information on the Stock Exchange’s website. Based on such criteria, we have identified 29 Comparable Issues. To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparable Issues is an exhaustive list of issues of convertible bond(s) or convertible note(s) meeting the aforesaid criteria.

We compared the respective premium/discount over/to the closing price of the shares of such companies on the relevant last trading day (the “**Premium/(Discount)-Last**”) and the premium/discount over/to the average closing price of the shares of such companies for the five consecutive trading days prior to the relevant last trading day (the “**Premium/(Discount)-Five**”) as represented by the conversion price of such Comparable Issues with the corresponding Premium/(Discount)-Last and Premium/(Discount)-Five represented by the initial Conversion Price.

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We set out our findings in the table below:

Issuers of the Comparable Issues (stock code)	Nature of principal business activities	Market capitalization as at the Latest Practicable Date <i>HK\$ million</i>	Announcement date of the Comparable Issues	Conversion period <i>approximate number of years</i>	Conversion price per share <i>HK\$</i>	Premium/ (Discount)-Last <i>approximate %</i>	Premium/ (Discount)-Five <i>approximate %</i>
Sunway International Holdings Limited (58)	Design, manufacture and sale of electronics and related components and parts	330.2	30/1/2014	Up to 2	0.300	1.7%	18.4%
Hong Kong Resources Holdings Company Limited (2882)	Retailing and franchising operations for selling gold and jewelry products	1,311.0	28/1/2014	3	0.180	(2.2)%	3.4%
Beijing Properties (Holdings) Limited (925)	Property development and provision of logistics services	4,622.6	26/1/2014	5	0.740	13.9%	21.3%
China Environmental Energy Investment Limited (986)	Trading of laminates, manufacture and trading of printed circuit boards	193.9	24/1/2014	1	3.840	(3.3)%	(0.1)%
Cypress Jade Agricultural Holdings Limited (875)	Growing, processing and trading of agricultural produce	605.3	22/1/2014	6	0.130	(33.3)%	(34.0)%
Ping Shan Tea Group Limited (364)	Cultivation of tea plants, production and sale of tea products	2,116.3	21/1/2014	3	0.210	5.0%	(7.5)%
China Yunnan Tin Minerals Group Company Limited (263)	Trading of goods, provision of finance, and exploitation and sales of minerals	120.7	21/1/2014	5	0.150	(51.7)%	(49.5)%
Zhongsheng Group Holdings Limited (881)	Sale and service of motor vehicles	25,463.9	19/1/2014	2.5	12.959	12.5%	11.6%
Biostime International Holdings Limited (1112)	Manufacture and sale of pediatric nutritional and baby care products	40,052.6	14/1/2014	5	90.840	27.5%	28.1%

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Issuers of the Comparable Issues (stock code)	Nature of principal business activities	Market	Announcement	Conversion period <i>approximate number of years</i>	Conversion	Premium/ (Discount)-Last <i>approximate %</i>	Premium/ (Discount)-Five <i>approximate %</i>
		capitalization	date of the		price per		
		as at the Latest Practicable Date <i>HK\$ million</i>	Comparable Issues		share <i>HK\$</i>		
Green International Holdings Limited (2700)	Manufacturing and trading of recreational and educational toys and equipment	597.5	14/1/2014	3	0.500	(9.1)%	(6.7)%
China Vanguard Group Limited (8156)	Provision of lottery-related services	4,020.8	13/1/2014	3	2.390	(19.3)%	(7.4)%
Haitian International Holdings Limited (1882)	Manufacture and sales of plastic injection moulding machines and related parts	27,259.7	9/1/2014	5	24.674	30.0%	33.0%
China Environmental Energy Investment Limited (986)	Trading of laminates, manufacture and trading of printed circuit boards	193.9	6/1/2014	2	2.500	(56.1)%	(52.7)%
China Properties Investment Holdings Limited (736)	Properties investment and investing in mining activities	132.7	2/1/2014	2	0.150	(31.8)%	(43.2)%
China Rongsheng Heavy Industries Group Holdings Limited (1101)	Shipbuilding, marine engine building, offshore engineering	10,150.0	23/12/2013	2.5	1.050	(15.3)%	(11.0)%
Green International Holdings Limited (2700)	Manufacturing and trading of recreational and educational toys and equipment	579.5	16/12/2013	Up to 3	0.500	(12.3)%	(11.0)%
China E-learning Group Limited (8055)	Provision of occupational education, industry certification course, skills training and education consultation	277.6	10/12/2013	1	0.100	5.3%	1.0%
Shunfeng Photovoltaic International Limited (1165)	Manufacture and sales of solar cells, solar modules and solar wafers	12,674.1	29/11/2013	9.5	3.580	(43.2)%	(42.3)%
First Natural Foods Holdings Limited (1076)	Food processing, manufacturing and trading	1,721.1	27/11/2013	15	1.000	(77.7)%	(77.8)%

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Issuers of the Comparable Issues (stock code)	Nature of principal business activities	Market capitalization	Announcement	Conversion period <i>approximate number of years</i>	Conversion price per share <i>HK\$</i>	Premium/ (Discount)-Last <i>approximate %</i>	Premium/ (Discount)-Five <i>approximate %</i>
		as at the Latest	date of the				
		Practicable Date <i>HK\$ million</i>	Comparable Issues				
Wuling Motors Holdings Limited (305)	Manufacturing and trading of engines and parts, automotive components and accessories	597.8	27/11/2013	3	0.580	1.8%	2.5%
Hao Wen Holdings Limited (8019)	Trading of biodegradable products and raw materials	472.0	26/11/2013	3	0.320	0.0%	0.3%
Chinese Food and Beverage Group Limited (8272)	Local catering business, brand management	322.3	26/11/2013	3.5	0.560	(6.7)%	(9.7)%
Yingde Gases Group Company Limited (2168)	Production and sales of industrial gases	13,208.5	24/11/2013	3	8.800	10.4%	10.1%
Value Convergence Holdings Limited (821)	Provision of financial services	411.8	22/11/2013	2	1.000	(5.0)%	(26.5)%
Universe International Holdings Limited (1046)	Distribution of films, film exhibition, licensing of film rights	401.6	17/11/2013	2	0.500	23.5%	26.9%
GCL-Poly Energy Holdings Limited (3800)	Manufacturing of polysilicon and wafers for solar industry	40,569.7	15/11/2013	4.5	3.125	21.6%	27.5%
Sau San Tong Holdings Limited (8200)	Provision of beauty and slimming services, sales of cosmetic and skin care products	111.7	7/11/2013	3	0.330	6.5%	3.5%
TLT Lottainment Group Limited (8022)	Provision of travel agent services, advertising and marketing services	266.1	29/10/2013	2	0.500	3.1%	3.3%
China Dredging Environment Protection Holdings Limited (871)	Provision of dredging and dredging-related construction services	2,472.0	28/10/2013	2.5	2.700	39.2%	35.7%
					Maximum	39.2%	35.7%
					Minimum	(77.7)%	(77.8)%
					Average (note)	(5.7)%	(5.3)%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issuers of the Comparable Issues (stock code)	Nature of principal business activities	Market capitalization as at the Latest Practicable Date	Announcement date of the Comparable Issues	Conversion period	Conversion price per share	Premium/(Discount)-Last	Premium/(Discount)-Five
		<i>HK\$ million</i>		<i>approximate number of years</i>	<i>HK\$</i>	<i>approximate %</i>	<i>approximate %</i>
The Company	Property investments, garment sourcing and exporting, investment in securities, loan financing	192.8	16/1/2014	5	0.680	15.3%	18.5%

Note: In calculating the average, we have averaged out positive numbers (premiums) with negative numbers (discounts). We consider that such average figure is meaningful as it indicates whether, on average, the conversion price of the Comparable Issues represents a premium (if the average figure is a positive number) or a discount (if the average figure is a negative number) over/to the then prevailing market price of the relevant shares, and the magnitude of such premium or discount.

As illustrated in the table above, we note that the Premium/(Discount)-Last represented by the conversion prices of the Comparable Issues ranged from a discount of approximately 77.7% to a premium of approximately 39.2%, with an average of a discount of approximately 5.7%. The Premium/(Discount)-Last represented by the Conversion Price therefore falls within the range of the Premium/(Discount)-Last of the Comparable Issues and is higher than the average Premium/(Discount)-Last of the Comparable Issues.

We also note that the Premium/(Discount)-Five represented by the conversion prices of the Comparable Issues ranged from a discount of approximately 77.8% to a premium of approximately 35.7%, with an average of a discount of approximately 5.3%. The Premium/(Discount)-Five represented by the Conversion Price therefore falls within the range of the Premium/(Discount)-Five of the Comparable Issues and is higher than the average Premium/(Discount)-Five of the Comparable Issues.

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Adjustments to the initial Conversion Price

Under the terms of the Subscription Agreement, the initial Conversion Price is subject to adjustments (the “**Adjustments**”) in event of (i) change in nominal value of the Shares upon, among others, share consolidation, share subdivision and share re-classification; (ii) issue (other than in lieu of a cash dividend) of any Shares credited as fully paid by way of capitalisation of profits or reserves; (iii) capital distribution to the Shareholders or grant to the Shareholders of rights to acquire for cash assets of the Group; (iv) offer, or grant, by to the Shareholders of new Shares, or options or warrants to subscribe for new Shares, by way of rights at a price which is less than 90% of the relevant market price of the Shares; (v) issue of Shares or securities (the “**Relevant Convertible Securities**”) convertible into or exchangeable for or carrying rights of subscription for Shares for cash, or for acquisition of assets by the Group where the total effective price for the relevant Shares issued (for the case of issue of the Relevant Convertible Securities, including consideration receivable by the Company for the Relevant Convertible Securities and any additional minimum consideration to be received by the Company for the Shares which may be issued upon exercise of the conversion rights or exchangeable rights or subscription rights attaching to the Relevant Convertible Securities) is less than 90% of the relevant market price of those Shares.

Based on our research of information published on the website of the Stock Exchange, we note that similar conversion price adjustment mechanisms are commonly included in the terms of the convertible bonds or convertible notes issued by other companies listed on the Stock Exchange and, having reviewed such adjustment mechanisms, we consider that the Adjustments are under normal market practice.

Our view

Although the initial Conversion Price represents a substantial discount to the consolidated net asset value of the Group, based on the totality of all of the factors mentioned above and having considered in particular that:

- (i) the trading liquidity of the Shares, as analysed above, was at a level that was reasonably sufficient to reflect the value of the Shares generally perceived by the market under the prevailing market conditions, while such market value of the Shares itself (which averages at approximately HK\$0.57 per Share for the last 10 consecutive trading days up to and including the Last Trading Day and at approximately HK\$0.63 per Share for the last 30 consecutive trading days up to and including the Last Trading Day) represents a substantial discount (of approximately 80.3% and approximately 82.2% respectively) to the consolidated net asset value per Share of approximately HK\$3.20 per Share;

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- (ii) the initial Conversion Price represents a premium over the prevailing market price of the Shares on the Last Trading Day and the average of the closing prices for the last 5, 10 and 30 consecutive trading days respectively;
- (iii) the Premium/(Discount)-Last and the Premium/(Discount)-Five represented by the Conversion Price falls within the range of the Premium/(Discount)-Last and the Premium/(Discount)-Five of the Comparable Issues and is higher than the average Premium/(Discount)-Last and the average Premium/(Discount)-Five of the Comparable Issues; and
- (iv) the Adjustments are under normal market practice,

we are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Interest rate of the Convertible Note

The Convertible Note will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 2.0% per annum.

Cost of bank borrowings of the Group

We note from the Annual Report and the Interim Report that the secured bank borrowings of the Group carried interest at 2.5% per annum above the Hong Kong inter-bank offered rate (or commonly known as HIBOR), with effective interest rate ranging from 2.71% to 2.72% per annum.

We note that the interest rate of the Convertible Note, being 2% per annum, is lower than the effective interest rate of the Group's secured bank borrowings.

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Comparison with recent issues of convertible notes by listed issuer

For comparison purpose, we have compared the interest rates in respect of the Comparable Issues with the interest of the Convertible Note. We set out our findings in the table below:

Issuers of the Comparable Issues (stock code)	Announcement date of the Comparable Issues	Interest rate <i>% per annum</i>
Sunway International Holdings Limited (58)	30/1/2014	0.00%
Hong Kong Resources Holdings Company Limited (2882)	28/1/2014	3.00%
Beijing Properties (Holdings) Limited (925)	26/1/2014	4.00%
China Environmental Energy Investment Limited (986)	24/1/2014	8.00%
Cypress Jade Agricultural Holdings Limited (875)	22/1/2014	1.00%
Ping Shan Tea Group Limited (364)	21/1/2014	4.00%
China Yunnan Tin Minerals Group Company Limited (263)	21/1/2014	0.00%
Zhongsheng Group Holdings Limited (881)	19/1/2014	2.85%
Biostime International Holdings Limited (1112)	14/1/2014	0.00%
Green International Holdings Limited (2700)	14/1/2014	5.00%
China Vanguard Group Limited (8156)	13/1/2014	2.00%
Haitian International Holdings Limited (1882)	9/1/2014	2.00%
China Environmental Energy Investment Limited (986)	6/1/2014	1.00%
China Properties Investment Holdings Limited (736)	2/1/2014	1.00%
China Rongsheng Heavy Industries Group Holdings Limited (1101)	23/12/2013	7.00%
Green International Holdings Limited (2700)	16/12/2013	0.00%
China E-learning Group Limited (8055)	10/12/2013	1.00%
Shunfeng Photovoltaic International Limited (1165)	29/11/2013	0.00%

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Issuers of the Comparable Issues (stock code)	Announcement date of the Comparable Issues	Interest rate <i>% per annum</i>
First Natural Foods Holdings Limited (1076)	27/11/2013	0.00%
Wuling Motors Holdings Limited (305)	27/11/2013	4.25%
Hao Wen Holdings Limited (8019)	26/11/2013	2.00%
Chinese Food and Beverage Group Limited (8272)	26/11/2013	3.00%
Yingde Gases Group Company Limited (2168)	24/11/2013	8.00%
Value Convergence Holdings Limited (821)	22/11/2013	0.25%
Universe International Holdings Limited (1046)	17/11/2013	5.00%
GCL-Poly Energy Holdings Limited (3800)	15/11/2013	0.75%
Sau San Tong Holdings Limited (8200)	7/11/2013	2.00%
TLT Lottotainment Group Limited (8022)	29/10/2013	2.00%
China Dredging Environment Protection Holdings Limited (871)	28/10/2013	3.00%
	Maximum	8.00%
	Minimum	0.00%
	Average	2.49%
	The Conversion Price	2.00%

We note that the interest rates in respect of the Comparable Issues ranged from nil to 8.00% per annum, with an average of 2.49% per annum. The interest rate of the Convertible Note, being 2% per annum, therefore falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable Issues.

Our view

Having considered that the interest rate of the Convertible Note, being 2% per annum,

- (i) is lower than the effective interest rate of the secured bank borrowings of the Group; and
- (ii) falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable Issues,

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2. The entire issued share capital of the Subscriber is indirectly held by EI.
3. The entire issued share capital of Landmark Profits is directly held by EI.
4. The Subscriber and Landmark Profits, are wholly-owned subsidiaries of EI and are presumed to be acting in concert for the purpose of the Takeover Code.
5. Upon the issue of 147,058,823 Conversion Shares to the Subscriber upon conversion in full of the Convertible Note at the initial Conversion Price, the shareholding of public Shareholders will be diluted from approximately 63.7% of the issued share capital of the Company as at the Latest Practicable Date to approximately 42.6% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

As shown in the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted from approximately 63.7% to 42.6%, representing a dilution of approximately 21.1 percentage point, immediately after the full conversion of the Convertible Note at the initial Conversion Price.

Taking into account

- (i) the reasons for the issue of the Convertible Note;
- (ii) the potential prospect of the Target Project;
- (iii) that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned as discussed in the section headed “Principal terms of the Subscription Agreement” above; and
- (iv) as discussed under the below section headed “Financial effects of the Subscription” that the Group’s capital base would be broadened upon conversion of the Convertible Note,

we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

(4) *Financial effects of the Subscription*

Effect on the net asset value

Given that the Convertible Note, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which would require assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards, the Company is unable to assess the exact impact of the Convertible Note on the net asset value of the Group until reliable estimations of the value of the Convertible Note can be made as at the Issue Date.

On the other hand, it is expected that the net asset value of the Group will increase upon conversion of the Convertible Note by the Noteholder into Conversion Shares as a result of the decrease in liabilities.

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Effect on gearing

As mentioned above, since the relevant accounting entries for the issue of the Convertible Note have not yet been determined, the impact of the issue of the Convertible Note on the gearing level of the Group could not be estimated at this stage.

Effect on liquidity

The net proceeds from the issue of the Convertible Note are estimated to be approximately HK\$98,700,000, which will improve the Group's liquidity position.

Effect on earnings

As the Convertible Note carries an interest of 2.0% per annum and will mature on the fifth anniversary of the Issue Date, the Directors expect that the future earnings of the Group will be reduced by the amount of interest expense on the Convertible Note before maturity or otherwise converted into Conversion Shares.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription Agreement.

(B) The Whitewash Waiver

Upon full conversion of the Convertible Note and assuming that there are no other change in the issued share capital of the Company, the allotment and issue of the Conversion Shares to the Subscriber will increase its holding of voting rights in the Company by more than 2% from the lowest percentage holding of it in the previous 12 months and thereby exceeding the 2% creeper threshold specified in Rule 26.1(c) of the Takeovers Code. The Subscriber and any parties acting in concert with it will therefore, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

The Subscriber has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Given that the granting of the Whitewash Waiver by the Executive is one of the Conditions Precedent, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Subscription will not proceed.

Based on (i) the reasons for the issue of the Convertible Note and the proposed use of the net proceeds therefrom; (ii) the terms of the Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the level of dilution to the shareholding interests of the existing public Shareholders being acceptable, we are of the opinion that the the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that (i) although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Robert Siu
Managing Director

1. FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial results and assets and liabilities of the Company for the years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013, extracted from the 2011, 2012 and 2013 annual reports of the Company and the 2013 interim report of the Company respectively.

There was no qualification made by the auditors of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, in respect of the Company's audited consolidated financial statements for each of the years ended 31 March 2011, 2012 and 2013.

Financial Summary

Results	For the year ended 31 March			For the six months ended
	2011	2012	2013	30 September 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited) (restated)	(audited)	(unaudited)
Revenue	348,081	286,916	223,756	103,753
Cost of sales	(309,626)	(256,138)	(190,157)	(86,361)
Gross profit	38,455	30,778	33,599	17,392
Other income	518	4,062	5,199	4,613
Other gains and losses	997	(746)	(268)	(15)
Other expenses	(1,147)	(235)	(1,756)	(891)
Distribution and selling expenses	(6,912)	(5,291)	(4,598)	(1,996)
Administrative expenses	(30,483)	(30,606)	(26,092)	(14,531)
(Loss) gain arising on changes in fair value of investment properties	37,374	33,979	(30,790)	6,384
Gain (loss) on fair value changes of investments held for trading	1,705	(16,677)	5,758	(3,020)
Gain on fair value change of financial assets designated as at fair value through profit or loss	(673)	858	–	–
Impairment loss recognised in respect of goodwill	–	(39,313)	–	–

Results	For the year ended 31 March			For the six months ended 30 September
	2011 HK\$'000 (audited)	2012 HK\$'000 (audited) (restated)	2013 HK\$'000 (audited)	2013 HK\$'000 (unaudited)
Impairment loss recognised in respect of intangible asset	–	(19,791)	–	–
Reversal of impairment loss recognised in respect of property, plant and equipment	8,777	1,027	1,047	–
Gain on disposal of assets constituting a discontinued operation, net of tax	21,388	1,285	–	–
Write back of other tax payable	–	–	6,139	–
Cumulative exchange differences in respect of the ceased subsidiaries reclassified from equity to profit or loss upon deregistration	–	–	14,714	–
Finance costs – interest on bank borrowings not wholly repayable within five years	–	–	(4,090)	(2,269)
(Loss) profit before tax	69,999	(40,670)	(1,138)	5,667
Income tax expense	(4,939)	5,908	5,833	(1,596)
(Loss) profit for the year, attributable to:				
Owners of the Company	65,060	(34,762)	4,695	4,071
Non-controlling interests	N/A	N/A	N/A	N/A
(Loss) earnings per share:				
Basic	HK\$0.152	HK\$(0.979)	HK\$0.024	HK\$0.0032
Diluted	N/A	N/A	N/A	N/A

With the exception of those disclosed above, there are no items which are exceptional because of size, nature or incidence. The Board did not recommend (i) the payment of final dividend for each of the years ended 31 March 2011, 2012 and 2013; and (ii) the payment of an interim dividend for the six months ended 30 September 2013.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

Assets and liabilities	As at 31 March			As at
	2011	2012	2013	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)
		(restated)		
Non-current assets	371,310	371,883	630,515	647,345
Current assets	<u>330,695</u>	<u>290,253</u>	<u>373,464</u>	<u>518,862</u>
Total assets	702,005	662,136	1,003,979	1,166,207
Current liabilities	(49,887)	(41,012)	(31,298)	(44,304)
Non-current liabilities	<u>(23,756)</u>	<u>(12,888)</u>	<u>(174,802)</u>	<u>(173,092)</u>
Total liabilities	(73,643)	(53,900)	(206,100)	(217,396)
Net assets	<u><u>628,362</u></u>	<u><u>608,236</u></u>	<u><u>797,879</u></u>	<u><u>948,811</u></u>

**2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY
FOR THE YEAR ENDED 31 MARCH 2013**

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Continuing operations:			
Turnover	7	223,756	286,916
Cost of goods sold and services rendered		<u>(190,157)</u>	<u>(256,138)</u>
Gross profit		33,599	30,778
Other income		5,199	4,062
Other gains and losses	9	(268)	(746)
Other expenses		(1,756)	(235)
Distribution and selling expenses		(4,598)	(5,291)
Administrative expenses		(26,092)	(30,606)
(Loss) gain arising on changes in fair value of investment properties		(30,790)	33,979
Gain (loss) on fair value changes of investments held for trading		5,758	(16,677)
Gain on fair value change of financial assets designated as at fair value through profit or loss		–	858
Impairment loss recognised in respect of goodwill		–	(39,313)
Impairment loss recognised in respect of intangible asset		–	(19,791)
Reversal of impairment loss recognised in respect of property, plant and equipment	16	1,047	1,027
Finance costs – interest on bank borrowings not wholly repayable within five years		<u>(4,090)</u>	<u>–</u>
Loss before taxation		(21,991)	(41,955)
Taxation	11	<u>69</u>	<u>5,908</u>
Loss for the year from continuing operations	12	<u>(21,922)</u>	<u>(36,047)</u>
Discontinued operations:			
Profit for the year from discontinued operations	13	<u>26,617</u>	<u>1,285</u>

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Profit (loss) for the year attributable to owners of the Company		<u>4,695</u>	<u>(34,762)</u>
Other comprehensive (expense) income			
Exchange differences released upon deregistration of subsidiaries		(14,714)	–
Exchange differences arising on translation of foreign operations		<u>1,009</u>	<u>9,132</u>
Other comprehensive (expense) income for the year		<u>(13,705)</u>	<u>9,132</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(9,010)</u>	<u>(25,630)</u>
Basic earnings (loss) per share	<i>14</i>		
From continuing and discontinued operations		<u>HK\$0.024</u>	<u>HK\$(0.979)</u>
From continuing operations		<u>HK\$(0.112)</u>	<u>HK\$(1.015)</u>

Consolidated Statement of Financial Position

At 31 March 2013

	<i>Notes</i>	31.3.2013 <i>HK\$'000</i>	31.3.2012 <i>HK\$'000</i> (Restated)	1.4.2011 <i>HK\$'000</i> (Restated)
Non-current assets				
Property, plant and equipment	<i>16</i>	141	10,726	9,786
Investment properties	<i>17</i>	612,874	343,157	300,597
Loans receivable	<i>18</i>	17,500	–	–
Deposits paid for acquisition of an investment property		–	18,000	–
Goodwill		–	–	39,313
Intangible asset		–	–	21,614
		<u>630,515</u>	<u>371,883</u>	<u>371,310</u>
Current assets				
Inventories		–	–	6,155
Trade and other receivables	<i>19</i>	22,996	25,789	64,625
Bills receivable	<i>20</i>	153	–	–
Investments held for trading	<i>21</i>	72,904	58,987	58,485
Financial assets designated as at fair value through profit or loss		–	–	19,327
Bank balances and cash	<i>22</i>	<u>277,411</u>	<u>205,477</u>	<u>181,876</u>
		373,464	290,253	330,468
Assets classified as held for sale		<u>–</u>	<u>–</u>	<u>227</u>
		<u>373,464</u>	<u>290,253</u>	<u>330,695</u>
Current liabilities				
Trade and other payables	<i>23</i>	17,634	24,710	36,129
Bills payable	<i>24</i>	–	3,687	–
Tax payable		6,909	12,615	13,758
Secured bank borrowings	<i>25</i>	<u>6,755</u>	<u>–</u>	<u>–</u>
		<u>31,298</u>	<u>41,012</u>	<u>49,887</u>
Net current assets		<u>342,166</u>	<u>249,241</u>	<u>280,808</u>
Total assets less current liabilities		<u><u>972,681</u></u>	<u><u>621,124</u></u>	<u><u>652,118</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	31.3.2013 <i>HK\$'000</i>	31.3.2012 <i>HK\$'000</i> (Restated)	1.4.2011 <i>HK\$'000</i> (Restated)
Non-current liabilities				
Deferred tax liabilities	26	12,870	12,888	18,252
Secured bank borrowings	25	<u>161,932</u>	<u>–</u>	<u>–</u>
		<u>174,802</u>	<u>12,888</u>	<u>18,252</u>
		<u><u>797,879</u></u>	<u><u>608,236</u></u>	<u><u>633,866</u></u>
Capital and reserves				
Share capital	27	4,119	5,507	5,507
Reserves		<u>793,760</u>	<u>602,729</u>	<u>628,359</u>
		<u><u>797,879</u></u>	<u><u>608,236</u></u>	<u><u>633,866</u></u>

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 1 April 2011 (originally stated)	5,507	169,872	53,194	299,722	30,689	40,624	28,754	628,362
Adjustments (note 2)	-	-	-	-	-	-	5,504	5,504
At 1 April 2011 (restated)	5,507	169,872	53,194	299,722	30,689	40,624	34,258	633,866
Exchange differences arising on translation of foreign operations	-	-	-	-	9,132	-	-	9,132
Loss for the year	-	-	-	-	-	-	(34,762)	(34,762)
Total comprehensive income (expense) for the year	-	-	-	-	9,132	-	(34,762)	(25,630)
At 31 March 2012 (restated)	5,507	169,872	53,194	299,722	39,821	40,624	(504)	608,236
Exchange difference released upon deregistration of subsidiaries	-	-	-	-	(14,714)	-	-	(14,714)
Exchange differences arising on translation of foreign operations	-	-	-	-	1,009	-	-	1,009
Profit for the year	-	-	-	-	-	-	4,695	4,695
Total comprehensive income (expense) for the year	-	-	-	-	(13,705)	-	4,695	(9,010)
Issue of new shares (note 27)	9,483	190,425	-	-	-	-	-	199,908
Transaction costs attributable to issue of new shares	-	(1,255)	-	-	-	-	-	(1,255)
Reduction of share capital upon capital reorganisation (note 27(d))	(10,871)	-	-	10,871	-	-	-	-
Set-off contributed surplus against accumulated losses (note 27(d))	-	-	-	(24,618)	-	-	24,618	-
At 31 March 2013 (audited)	4,119	359,042	53,194	285,975	26,116	40,624	28,809	797,879

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, October 2009 and December 2012, part of which was applied to set off against accumulated losses of the Company in October 2009 and December 2012. The balance may 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.

The property revaluation reserve of the Group represents the gain on revaluation of certain leasehold properties and prepaid lease payments of the Group when these leasehold properties and prepaid lease payments were transferred to investment properties.

Consolidated Statement of Cash Flows*For the year ended 31 March 2013*

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Operating activities		
Profit (loss) for the year	4,695	(34,762)
Adjustments for:		
Taxation credit recognised in profit or loss	(5,833)	(5,908)
Interest income	(3,288)	(2,585)
Finance costs	4,090	–
Depreciation	153	619
Amortisation of intangible asset	–	1,823
Unrealised (gain) loss on fair value changes of investments held for trading	(2,063)	17,369
Dividend income from listed investments	(1,751)	(1,126)
Reversal of impairment loss recognised in respect of property, plant and equipment	(1,047)	(1,027)
Impairment loss recognised in respect of goodwill	–	39,313
Impairment loss recognised in respect of intangible asset	–	19,791
Gain on fair value change of other financial assets at fair value through profit or loss	–	(858)
Gain on disposal of assets classified as held for sale	–	(1,285)
Gain on deregistration of subsidiaries	(20,853)	–
Loss (gain) arising on changes in fair value of investment properties	30,790	(33,979)
Operating cash flows before movements in working capital	4,893	(2,615)
Decrease in inventories	–	6,155
Decrease in trade and other receivables	2,793	31,139
Increase in bills receivable	(153)	–
Increase in loans receivable	(17,500)	–
Increase in investments held for trading	(11,854)	(17,871)
Decrease in trade and other payables	(937)	(10,545)
(Decrease) increase in bills payable	(3,687)	3,687
Cash (used in) from operations	(26,445)	9,950
Dividend received from investments held for trading	1,751	1,126
Income tax refunded (paid)	58	(1,340)
Net cash (used in) from operating activities	<u>(24,636)</u>	<u>9,736</u>

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Investing activities			
Withdrawal of bank deposits with original maturity of more than three months		67,049	–
Interest received		3,288	2,585
Addition of investment properties		(261,422)	(2,243)
Placement of bank deposits with original maturity of more than three months		(67,049)	–
Purchase/addition of property, plant and equipment		(8,915)	(168)
Proceeds from redemption of financial assets designated as at fair value through profit or loss		–	50,185
Settlement of receivable/proceeds from disposal of assets classified as held for sale	<i>13</i>	–	8,282
Purchase of financial assets designated as at fair value through profit or loss		–	(30,000)
Deposits paid for acquisition of an investment property		–	(18,000)
		<u>(267,049)</u>	<u>10,641</u>
Net cash (used in) from investing activities			
Financing activities			
Proceeds from issue of new shares		199,908	–
Bank borrowings raised		174,000	–
Bank borrowings repaid		(5,313)	–
Interest paid		(4,090)	–
Transaction costs attributable to issue of new shares		(1,255)	–
		<u>363,250</u>	<u>–</u>
Net cash from financing activities			
Net increase in cash and cash equivalents		71,565	20,377
Cash and cash equivalents at beginning of the year		205,477	181,876
Effect of foreign exchange rate changes		369	3,224
		<u>277,411</u>	<u>205,477</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

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”). As at 31 March 2013, Easyknit International Holdings Limited (“Easyknit International”) owns 43.52% (31 March 2012: 72.36%) of the ordinary shares of the Company and held the same percentage of voting rights in the Company. Taking into account the relevant facts and circumstances, particularly the size of Easyknit International’s holding of voting rights relative to the size and dispersion of holdings of other vote holders, the Company has been regarded as a subsidiary of Easyknit International under the new definition of control and the related guidance set out in HKFRS 10 “Consolidated financial statements” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). As such, the Company’s parent and ultimate holding company is Easyknit International, which is also incorporated in Bermuda. 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 consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”) which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company’s principal subsidiaries are set out in note 33.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

In the current year, the Company and its subsidiaries (collectively referred as the “Group”) have applied the following new and revised HKFRSs issued by the HKICPA.

HKFRSs that become effective for the year:

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

HKFRSs that have been early adopted for the year:

Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009 – 2011 cycle issued in 2012
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangement
HKFRS 12	Disclosure of interests in other entities
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 “Presentation of financial statements”

(as part of the Annual improvements to HKFRSs 2009 – 2011 cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is “Annual improvements to HKFRSs (2009 – 2011 cycle)”. The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets” for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 April 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 April 2011 without the related notes.

Amendments to HKAS 12 “Deferred tax: Recovery of underlying assets”

The Group has applied for the first time the amendments to HKAS 12 “Deferred tax: Recovery of underlying assets” in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property” are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group’s investment properties are situated in Mainland China (the “PRC”) and Hong Kong, which are measured using the fair value model. For the purpose of application of the amendments to HKAS 12, the directors of the Company reviewed the Group’s investment properties portfolios as at 1 April 2012 and concluded that the Group’s investment properties situated in Hong Kong amounting to HK\$179,000,000 (1 April 2011: HK\$135,000,000) are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

On the other hand, the Group has rebutted the presumption in respect of the Group’s remaining investment properties situated in the PRC amounting to HK\$164,157,000 as at 1 April 2012 (1 April 2011: HK\$165,597,000) as such properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly, the adoption of amendments to HKAS 12 has no impact on the deferred tax liabilities in respect of the Group’s investment properties in the PRC.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties. Previously, the Group recognised deferred taxes on changes in fair value of these investment properties on the basis that the entire carrying amounts of these properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and prior years by line items presented in the consolidated statement of comprehensive income is as follows:

	2013 HK\$'000	2012 HK\$'000
Decrease in taxation charge	2,333	7,968
Net decrease in loss for the year	<u>2,333</u>	<u>7,968</u>

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 March 2012, is as follows:

	As at 31 March 2012 (originally stated) <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	As at 31 March 2012 (restated) <i>HK\$'000</i>
Deferred tax liabilities	(26,360)	13,472	(12,888)
Total effects on net assets	<u>(26,360)</u>	<u>13,472</u>	<u>(12,888)</u>
Accumulated losses, total effects on equity	<u>(13,976)</u>	<u>13,472</u>	<u>(504)</u>

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 April 2011, is as follows:

	As at 1 April 2011 (originally stated) <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	As at 1 April 2011 (restated) <i>HK\$'000</i>
Deferred tax liabilities	(23,756)	5,504	(18,252)
Total effects on net assets	<u>(23,756)</u>	<u>5,504</u>	<u>(18,252)</u>
Accumulated profits, total effects on equity	<u>28,754</u>	<u>5,504</u>	<u>34,258</u>

The application of amendments to HKAS 12 in respect of deferred tax on investment properties has resulted in an increase in basic earnings per share of HK\$0.01 (2012: a decrease in basic loss per share of HK\$0.22) from continuing and discontinued operations as well as continuing operations for the year.

HKFRS 10 “Consolidated financial statements”

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC) – INT 12 “Consolidation – Special purpose entities”. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances including the size of the investor’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders, rights arising from other contractual arrangements, and any additional facts and circumstances, including voting patterns at previous shareholders’ meetings.

During the year ended 31 March 2013, the Group has early applied HKFRS 10 in order to bring the accounting policies in line with Easyknit International. In the opinion of the directors, the application of HKFRS 10 has no significant impact to the consolidated financial statements of the Group.

HKFRS 12 “Disclosure of interests in other entities”

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements in respect of the wholly owned subsidiaries (note 33). As at 31 March 2013 and 2012, the Group did not have interests in any non-wholly owned subsidiaries, joint arrangements, associates or unconsolidated structure entities.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments HKAS 1 ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
HKFRS 13	Fair value measurement ¹
HKAS 19 (as revised in 2011)	Employee benefits ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁴
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ²
HK(IFRIC*) – INT 20	Stripping costs in the production phase of a surface mine ¹
HK(IFRIC) – INT 21	Levies ²

* IFRIC represents the IFRS Interpretations Committee.

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

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and is not likely to affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and 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 when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Discontinued operations

A discontinued operation is a component of the Group, which comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Group, and has been disposed of, or is classified as held for sale, and either (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

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.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Service income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Borrowing costs

Borrowing costs not attributable to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item is recognised in other comprehensive income and accumulated in property revaluation reserve. The carrying amount is arrived at after taking into account the reversal of any previously recognised accumulated impairment loss to profit or loss to the extent that the carrying amount of the property, plant and equipment at the date when impairment is reversed does not exceed the carrying amount that would have been had the impairment not been recognised. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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 financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and 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 net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL, including equity linked investments, are measured at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit and loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, loans receivable 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 of financial assets below).

Impairment of financial assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 affected.

Objective evidence of impairment could include:

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

For financial assets carried at amortised cost, the amount of the impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with 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. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 (including all fees and 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 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, bills payable and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) 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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense 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 the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 retranslation 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 end of the reporting period, 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 in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Retirement benefits costs

Payments to the state-sponsored pension scheme operated by the PRC government or the Hong Kong Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contribution.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 judgments, 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment properties portfolios and concluded that while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from investment properties located in Hong Kong, the management determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

For the Group's investment properties located in the PRC, the management concluded that they are depreciable and are being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the PRC, the management determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Key sources of estimation uncertainty

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

Impairment allowance on loans receivable

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

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders 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 net debts, which includes the borrowings disclosed in note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

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 or repayment of bank borrowings.

6. FINANCIAL INSTRUMENTS**a. Categories of financial instruments**

	2013 HK\$'000	2012 HK\$'000
Financial assets		
Investments held for trading	72,904	58,987
Loans and receivables (including cash and cash equivalents)		
– Trade and other receivables	15,457	19,818
– Bills receivable	153	–
– Loans receivable	17,500	–
– Bank balances and cash	277,411	205,477
	<u>383,425</u>	<u>284,282</u>
Financial liabilities		
Amortised cost		
Trade and other payables	5,268	7,971
Bills payable	–	3,687
Secured bank borrowings	168,687	–
	<u>173,955</u>	<u>11,658</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, trade and other receivables, bills receivable, loans receivable, bank balances and cash, trade and other payables, bills payable and secured bank borrowings. 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) Currency risk*

Certain subsidiaries of the Group have foreign currency sales or purchases denominated in currencies other than their functional currencies, which expose the Group to foreign currency risk. Approximately 95% (2012: 98%) of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale, whilst almost all purchases are denominated in the group entities' functional currency.

The carrying amount of the group entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period is as follows:

	Liabilities		Assets	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Renminbi ("RMB")	–	–	16	171
HKD	–	–	28	28
United States dollars ("USD")	93	85	78,778	55,350
Euro ("EUR")	–	–	–	10,199
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The Group is mainly exposed to the currencies of RMB, HKD, USD and EUR.

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% (2012: 5%) 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 an increase in profit or 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 or profit, and the amounts below would be negative.

	RMB Impact		HKD Impact		USD Impact		EUR Impact	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase in profit (2012: decrease in loss)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1	7	1	1	3,285	2,307	–	426

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

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

Interest rate risk management

The Group's primary interest rate risk relates to its bank balances and bank borrowings. The interest rates and terms of repayment of the loans of the Group are disclosed in note 25. The Group is also exposed to fair value interest rate risk in relation to fixed-rate loans receivable. The Group has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from bank borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments as referred to above at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2013 would decrease/increase by HK\$695,000. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The bank balances are excluded from sensitivity analysis as the management of the Group considered that the interest rate fluctuation is not significant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

No sensitivity analysis has been presented for the year ended 31 March 2012 as the interest rate risk is not significant.

(iii) Other price risk

The Group is exposed to equity price risk through its investments held for trading and financial assets designated as at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange of issuers operating in banking and finance industry sector. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If the prices of the investments held for trading and fair value of financial assets designated as at FVTPL had been 5% (2012: 5%) higher/lower, post-tax profit for the year ended 31 March 2013 would increase/decrease by HK\$3,044,000 (2012: decrease/increase in post-tax loss by HK\$2,462,000) as a result of the changes in fair value of investments held for trading and financial assets designated as at FVTPL.

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 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In view of the nature of business, the Group targets on a focused market. As at 31 March 2013, the Group has concentration of credit risk in the trade receivables balance amounting to HK\$13,622,000 (2012: HK\$14,391,000) derived from the five largest customers with good credit history in garment industry. There is also concentration risk in respect of the Group's turnover during the year ended 31 March 2013 amounting to HK\$179,976,000 (2012: HK\$255,249,000) out of total turnover of HK\$223,756,000 (2012: HK\$286,916,000) was made to one single customer. In order to minimise the credit risk, the management of the Group has reviewed the financial position, liquidity and 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 Group also had concentration of credit risk in relation to loans receivable from a few borrowers amounting to HK\$17,500,000 at 31 March 2013 (2012: nil). The largest borrower of the Group by itself accounted for approximately 57% (2012: nil) of the Group's loans receivable at 31 March 2013. At 31 March 2013, all loans receivables are neither past due nor impaired and the borrowers are assessed to have satisfactory credit quality with reference to financial background and creditability of individual borrowers, subsequent settlement and payment history of the borrowers. In order to minimise the credit risk, the management has reviewed the recoverable amounts of the loans receivable regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on loans receivable is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and 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 2013, the Group has available unutilised bank loan facilities of HK\$60,000,000 (2012: HK\$60,000,000).

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 HK\$'000	More than 3 months but less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2013						
Non-derivative financial liabilities						
Trade and other payables	–	5,268	–	–	5,268	5,268
Secured bank borrowings	2.71	2,821	8,464	205,322	216,607	168,687
		8,089	8,464	205,322	221,875	173,955

	Effective interest rate %	Less than 3 months HK\$'000	More than 3 months but less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2012						
Non-derivative financial liabilities						
Trade and other payables	-	7,971	-	-	7,971	7,971
Bills payable	-	3,687	-	-	3,687	3,687
		<u>11,658</u>	<u>-</u>	<u>-</u>	<u>11,658</u>	<u>11,658</u>

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 financial assets designated as at FVTPL are determined based on valuation provided by the counterparty financial institutions for equivalent instruments.
- 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.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 and total HK\$'000
2013	
Financial assets at FVTPL	
Investments held for trading	<u>72,904</u>
2012	
Financial assets at FVTPL	
Investments held for trading	<u>58,987</u>

There were no transfers between Level 1 and 2 in the current and prior years.

7. TURNOVER

Turnover represents the aggregate of the amounts received or receivable for goods sold, net of discounts and sales related taxes, rental income from property leasing and interest income from loan financing during the year. An analysis of the Group's turnover from its continuing operations is as follows:

	2013 HK\$'000	2012 HK\$'000
Sales of goods	211,770	280,918
Rental income	11,780	5,998
Interest income from loan financing	206	–
	<u>223,756</u>	<u>286,916</u>

8. SEGMENT INFORMATION

Information reported to the Group's chief executive officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. This is also the basis of organisation, whereby the management has chosen to organise the Group around differences in products and services.

The Group's operating and reportable segments from continuing operations under HKFRS 8 are: (a) garment sourcing and exporting, (b) property investment, (c) investment in securities and (d) loan financing. During the year ended 31 March 2013, a wholly-owned subsidiary of the Company, which principally engaged in loan financing, commenced business. The CODM decided to review the performance of loan financing for the purpose of resources allocation and performance assessment. Accordingly, a new segment for loan financing is presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results from its continuing operations by operating and reportable segment:

For the year ended 31 March 2013

Continuing operations:

	Garment sourcing and exporting HK\$'000	Property investment HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
External	211,770	11,780	–	206	–	223,756
Segment (loss) profit	(1,601)	(23,018)	7,472	126	–	(17,021)
Other income						3,448
Other gains and losses						(268)
Other expenses						(1,756)
Reversal of impairment loss recognised in respect of property, plant and equipment						1,047
Finance costs						(4,090)
Unallocated corporate expenses						(3,351)
Loss before taxation (continuing operations)						<u>(21,991)</u>

For the year ended 31 March 2012

Continuing operations:

	Garment sourcing and exporting <i>HK\$'000</i>	Property investment <i>HK\$'000</i> (Restated)	Investment in securities <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
Turnover					
External	280,918	5,998	–	–	286,916
	<u>280,918</u>	<u>5,998</u>	<u>–</u>	<u>–</u>	<u>286,916</u>
Segment (loss) profit	(61,799)	36,827	(14,711)	–	(39,683)
	<u>(61,799)</u>	<u>36,827</u>	<u>(14,711)</u>	<u>–</u>	<u>(39,683)</u>
Other income					2,937
Other gains and losses					(746)
Other expenses					(235)
Reversal of impairment loss recognised in respect of property, plant and equipment					1,027
Unallocated corporate expenses					(5,255)
					<u>(5,255)</u>
Loss before taxation (continuing operations)					(41,955)
					<u>(41,955)</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the result incurred by each segment without allocation of other income, other gains and losses, other expenses, reversal of impairment loss recognised in respect of property, plant and equipment, finance costs and unallocated corporate expenses. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

In the current year, the CODM decided to include the fair value change of investment properties in measuring the segment result of the property investment segment. Accordingly, segment profit of property investment for the year ended 31 March 2012 has been restated.

Segment assets and liabilities

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Segment assets		
Garment sourcing and exporting	20,952	24,283
Property investment	705,339	466,959
Investment in securities	72,909	58,990
Loan financing	17,588	–
	<u>816,788</u>	<u>550,232</u>
Total segment assets	816,788	550,232
Unallocated bank balances and cash	186,936	111,512
Others	255	392
	<u>1,003,979</u>	<u>662,136</u>
Consolidated assets	1,003,979	662,136

	2013 HK\$'000	2012 HK\$'000 (Restated)
Segment liabilities		
Garment sourcing and exporting	5,692	11,675
Property investment	6,248	4,298
	<hr/>	<hr/>
Total segment liabilities	11,940	15,973
Secured bank borrowings	168,687	–
Unallocated	25,473	37,927
	<hr/>	<hr/>
Consolidated liabilities	<u>206,100</u>	<u>53,900</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than bank deposits with original maturity of more than three months, unallocated bank balances and cash and assets used jointly by operating and reportable segments.
- all liabilities are allocated to operating and reportable segments other than current and deferred tax liabilities and liabilities for which operating and reportable segments are jointly liable.

Other segment information

For the year ended 31 March 2013

Continuing operations:

Amounts included in the measure of segment profit or loss or segment assets:

	Garment sourcing and exporting HK\$'000	Property investment HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital additions	54	270,283	–	–	–	270,337
Depreciation	137	6	–	–	10	153
Gain on investments held for trading	–	–	(5,758)	–	–	(5,758)
Loss arising on change in fair value of investment properties	–	30,790	–	–	–	30,790
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

For the year ended 31 March 2012

Continuing operations:

Amounts included in the measure of segment profit or loss or segment assets:

	Garment sourcing and exporting	Property investment	Investment in securities	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	39	20,372	–	–	20,411
Amortisation	1,823	–	–	–	1,823
Depreciation	496	8	–	115	619
Loss on investments held for trading	–	–	16,677	–	16,677
Impairment loss recognised in respect of goodwill	39,313	–	–	–	39,313
Impairment loss recognised in respect of intangible asset	19,791	–	–	–	19,791
Gain arising on change in fair value of investment properties	–	(33,979)	–	–	(33,979)
	<u>–</u>	<u>(33,979)</u>	<u>–</u>	<u>–</u>	<u>(33,979)</u>

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from continuing operations from external customers based on the shipment location of customers and information about its non-current assets (excluding financial instruments) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Australia	1,857	1,126	–	–
Europe	21,309	14,548	–	–
Hong Kong	7,699	2,988	428,965	197,215
PRC	4,288	3,010	184,050	174,668
The United States of America	187,307	265,169	–	–
Others	1,296	75	–	–
	<u>223,756</u>	<u>286,916</u>	<u>613,015</u>	<u>371,883</u>

Information about major customers

Revenue from continuing operations from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Customer A ¹	<u>179,976</u>	<u>255,249</u>

¹ Revenue from garment sourcing and exporting.

9. OTHER GAINS AND LOSSES**Continuing operations:**

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Net exchange loss	<u>(268)</u>	<u>(746)</u>

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**(a) Information regarding directors' emoluments**

Details of emoluments to the directors of the Company for the year ended 31 March 2013 are as follows:

	Kwong Jimmy Cheung Tim <i>HK\$'000</i>	Lui Yuk Chu <i>HK\$'000</i>	Koon Ho Yan Candy <i>HK\$'000</i>	Tse Wing Chiu Ricky <i>HK\$'000</i>	Kan Ka Hon <i>HK\$'000</i>	Lau Sin Ming <i>HK\$'000</i>	Foo Tak Ching <i>HK\$'000</i>	Total <i>HK\$'000</i>
Fees	-	-	-	120	120	120	120	480
Other emoluments								
- Salaries and other benefits	900	1,236	312	-	-	-	-	2,448
- Contributions to retirement benefit schemes	-	15	15	-	-	-	-	30
Total directors' emoluments	<u>900</u>	<u>1,251</u>	<u>327</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>2,958</u>

Details of emoluments to the directors of the Company for the year ended 31 March 2012 are as follows:

	Kwong Jimmy Cheung Tim <i>HK\$'000</i>	Lui Yuk Chu <i>HK\$'000</i>	Koon Ho Yan Candy <i>HK\$'000</i>	Tse Wing Chiu Ricky <i>HK\$'000</i>	Kan Ka Hon <i>HK\$'000</i>	Lau Sin Ming <i>HK\$'000</i>	Foo Tak Ching <i>HK\$'000</i>	Total <i>HK\$'000</i>
Fees	-	-	-	120	120	120	120	480
Other emoluments								
- Salaries and other benefits	900	1,236	312	-	-	-	-	2,448
- Contributions to retirement benefit schemes	-	12	12	-	-	-	-	24
Total directors' emoluments	<u>900</u>	<u>1,248</u>	<u>324</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>2,952</u>

Mr. Kwong Jimmy Cheung Tim is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(b) Information regarding employees' emoluments

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Salaries and other benefits	1,862	1,862
Retirement benefits costs	44	36
	<u>1,906</u>	<u>1,898</u>

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

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

11. TAXATION

Continuing operations:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
The credit comprises:		
Deferred tax (<i>note 26</i>)	<u>69</u>	<u>5,908</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No provision for PRC Enterprise Income Tax has been made as the Group has no assessable profit for both years.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Loss before taxation (from continuing operations)	(21,991)	(41,955)
Tax credit at the applicable rate of 16.5% (2012: 16.5%)	(3,629)	(6,923)
Tax effect of income not taxable for tax purposes	(4,700)	(10,664)
Tax effect of expenses not deductible for tax purposes	7,559	8,153
Tax effect of tax losses not recognised	1,086	3,393
Tax effect of utilisation of tax losses previously not recognised	(664)	(417)
Effect of different tax rates of subsidiaries operating in other jurisdictions	371	(156)
Others	(92)	706
Tax credit for the year	(69)	(5,908)

12. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss for the year from continuing operations has been arrived at after charging:		
Directors' remuneration (<i>note 10(a)</i>)	2,958	2,952
Other staff costs, including retirement benefits costs	10,747	11,563
Total staff costs	13,705	14,515
Amortisation of intangible asset (included in administrative expenses)	–	1,823
Auditor's remuneration		
– Current year provision	1,035	1,024
– Underprovision in prior years	267	135
Cost of inventories recognised as an expense	1,302	1,159
Depreciation	190,157	256,138
	153	619
and after crediting to other income:		
Bank interest income	3,288	2,585
Dividend income from listed investments	1,751	1,126

13. DISCONTINUED OPERATIONS

On 22 November 2009, the directors resolved to cease the bleaching and dyeing and knitting businesses and these businesses were ceased in December 2009 and accordingly were presented as discontinued operations. During the year ended 31 March 2013, the Group deregistered certain subsidiaries of these discontinued businesses (the “Ceased Subsidiaries”). The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit for the year from discontinued operations		
Write back of other tax payable	6,139	–
Profit before taxation	6,139	–
Taxation credit – overprovision of PRC Enterprise Income Tax	5,764	–
Profit for the year from discontinued operations	11,903	–
Gain on disposal of assets constituting a discontinued operation, net of tax	–	1,285
Cumulative exchange differences in respect of the Ceased Subsidiaries reclassified from equity to profit or loss upon deregistration	14,714	–
	<u>26,617</u>	<u>1,285</u>
Cash flows from discontinued operations		
Net cash inflows from investing activities	–	8,282

The Group submitted the liquidation accounts of the Ceased Subsidiaries to the relevant PRC tax bureau, paid all taxes assessed and obtained approval of the tax bureau to cancel the tax registration of the Ceased Subsidiaries prior to cancelling the business registration with the Huzhou Administration for Industry and Commerce. In the opinion of the directors, the Group has no further obligations in respect of the Ceased Subsidiaries. As such, all recorded liabilities (including income tax payable and other tax payable) are released during the year ended 31 March 2013 upon deregistration of the Ceased Subsidiaries.

The amount for the year ended 31 March 2012 represented post-tax gain on disposal of assets classified as held for sale. During the year ended 31 March 2012, the Group received RMB6,971,000 (HK\$8,282,000) for the settlement of receivables arising from the disposal of assets classified as held for sale and compensation from the People’s Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC (the “Zhili Town Government”).

14. BASIC EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations:

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Profit (loss) for the purpose of basic earnings (loss) per share	<u>4,695</u>	<u>(34,762)</u>

	2013	2012 (Restated)
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>196,374,431</u>	<u>35,505,856</u>
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From continuing operations:

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Profit (loss) for the year attributable to owners of the Company	4,695	(34,762)
Adjusted for: Profit for the year from discontinued operations	<u>(26,617)</u>	<u>(1,285)</u>

Loss for the purpose of basic loss per share from continuing operations	<u>(21,922)</u>	<u>(36,047)</u>
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	2013	2012 (Restated)
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Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share	<u>196,374,431</u>	<u>35,505,856</u>
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From discontinued operations:

Basic earnings per share for the discontinued operations is HK\$0.136 (2012: HK\$0.036) per share, based on the profit for the year from discontinued operations of HK\$26,617,000 (2012: HK\$1,285,000) and the denominators detailed above for basic loss per share from continuing operations.

The denominator for the purpose of calculating basic loss per share for the year ended 31 March 2012 has been adjusted to reflect (i) bonus element of the rights issue completed in October 2012 on the basis of one rights share for every two ordinary shares; (ii) consolidation of shares in October 2012 on the basis of 20 shares being consolidated into one share; and (iii) bonus element of the rights issue in January 2013 on the basis of five rights shares for every ordinary share.

In addition, the denominator for the purpose of calculating basis earnings (loss) per share for both years has been further adjusted to reflect the bonus element of the rights issue completed in June 2013 on the basis of three rights shares for every ordinary share (see note 34).

No diluted earnings (loss) per share is presented as the Group did not have any potential ordinary shares for both years.

15. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following related party transactions which also constituted continuing connected transactions with wholly-owned subsidiaries of Easyknit International:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Rental expense	<u>2,490</u>	<u>2,482</u>

Ms. Lui Yuk Chu, a director of the Company, is also one of the beneficiaries under a family trust holding 36.74% (2012: 36.74%) equity interest of Easyknit International at 31 March 2013. She also holds 21.95% (2012: 21.95%) equity interest of Easyknit International through an entity wholly-owned by her. The Company is considered as a subsidiary of Easyknit International at 31 March 2013 and 31 March 2012 under the new definition of control and related guidance set out in HKFRS 10 “Consolidated financial statements”.

- (b) In January 2011, the Company entered into an employment agreement with Mr. Koon Wing Yee, the spouse of Ms. Lui Yuk Chu, to act as general manager of the Company for a salary of HK\$50,000 per month. The employment agreement, which constituted a connected transaction, commenced on 21 February 2011 but may be terminated by either party at any time by three months’ notice. The remuneration of Mr. Koon Wing Yee as general manager of the Company during the year ended 31 March 2013 was HK\$664,500 (2012: HK\$662,000) and was included in the “compensation of key management personnel” in (c) below.

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

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Short-term employee benefits		
Salaries and other benefits	4,310	4,310
Contributions to retirement benefit schemes	<u>73</u>	<u>60</u>
	<u>4,383</u>	<u>4,370</u>

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.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2011	478	2,032	15,713	18,223
Exchange adjustments	3	13	554	570
Additions	45	–	123	168
At 31 March 2012	526	2,045	16,390	18,961
Exchange adjustments	1	1	60	62
Additions	62	–	8,853	8,915
Transfer to investment properties	–	–	(25,303)	(25,303)
At 31 March 2013	589	2,046	–	2,635
DEPRECIATION AND IMPAIRMENT				
At 1 April 2011	213	1,492	6,732	8,437
Exchange adjustments	3	12	191	206
Provided for the year	150	469	–	619
Reversal of impairment loss recognised in profit or loss	–	–	(1,027)	(1,027)
At 31 March 2012	366	1,973	5,896	8,235
Exchange adjustments	1	1	8	10
Provided for the year	84	69	–	153
Reversal of impairment loss recognised in profit or loss	–	–	(1,047)	(1,047)
Eliminated upon transfer to investment properties	–	–	(4,857)	(4,857)
At 31 March 2013	451	2,043	–	2,494
CARRYING VALUES				
At 31 March 2013	138	3	–	141
At 31 March 2012	160	72	10,494	10,726

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:

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

In March 2013, the directors of the Company decided to transfer construction in progress, which was partially impaired, to investment properties under development as the Group was in the process of negotiating with potential tenants for future leasing of the related properties. Prior to the transfer, the directors of the Company assessed the recoverable amount of the construction in progress which is determined based on valuation performed by independent qualified professional property valuer carried out at the date of transfer to investment properties under development by reference to net rental income allowing for reversionary income potential using the applicable market yields for the respective locations and types of properties. As a result, a reversal of impairment loss of HK\$1,047,000 was recognised in profit or loss for the year ended 31 March 2013 (2012: HK\$1,027,000).

17. INVESTMENT PROPERTIES

	Completed investment properties <i>HK\$'000</i>	Investment properties under development <i>HK\$'000</i>	Total <i>HK\$'000</i>
FAIR VALUE			
At 1 April 2011	300,597	–	300,597
Exchange adjustments	6,338	–	6,338
Additions	2,243	–	2,243
Increase in fair value	33,979	–	33,979
At 31 March 2012	343,157	–	343,157
Exchange adjustments	639	–	639
Additions	279,422	–	279,422
Reclassified from property, plant and equipment	–	20,446	20,446
Reclassification	(29,740)	29,740	–
Decrease in fair value	(30,790)	–	(30,790)
At 31 March 2013	562,688	50,186	612,874

The carrying value of investment properties shown above comprises properties situated on:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Land in Hong Kong		
Long lease	428,860	179,000
Land in the PRC		
Medium-term lease	184,014	164,157
	612,874	343,157

The fair values of the Group's investment properties in Hong Kong at 31 March 2013 have been arrived at on the basis of a valuation carried out as at that date by Vigers Appraisal & Consulting Limited ("Vigers") (2012: Knight Frank Petty Limited ("Knight Frank")), a firm of independent qualified professional property valuers not connected with the Group. Vigers is member of the Hong Kong Institute of Surveyors. The valuation of investment properties in Hong Kong was arrived at by reference to market evidence of recent transaction prices for similar properties.

During the year, the Group submitted a revised development plan to the Zhili Town Government. Under the revised development plan, certain bare land of the completed investment properties was being rezoned for purpose to construct properties for leasing in future ("Future Development Land"). Hence the directors of the Company decided to reclassify the respective portion of bare land amounting to HK\$29,740,000 (RMB24,000,000) from completed investment properties to investment properties under development. The valuation of the Future Development Land in the PRC was arrived at by reference to market evidence of transaction prices for similar land in similar location.

The fair values of the Group's completed investment properties and investment properties under development in the PRC at 31 March 2013 and 31 March 2012 have been arrived at on the basis of a valuation carried out as at those dates by Knight Frank. The valuation of the completed investment properties and investment properties under development (other than Future Development Land) in the PRC was arrived at by reference to net rental income allowing for reversionary income potential using the applicable market yields for the respective locations and types of properties.

The loss arising on changes in fair value of investment properties of HK\$30,790,000 has been recognised in profit or loss for the year ended 31 March 2013 (2012: gain of HK\$33,979,000). A substantial portion of the loss arising on changes in fair value of investment properties was arisen from the investment properties acquired in the current year. In determining the purchase consideration of these properties, the Group took into account both the existing value (i.e. existing state and use of the properties which do not reflect the future development potential) and the bare site value which, in the opinion of the directors, reflect the prevailing market conditions, the real market value and the future development potential of the properties. In determining the fair value of these properties at 31 March 2013, the directors (and the independent property valuers under the instructions of the directors) only took into account the existing value of these properties as the Group has not yet obtained ownership of all units of the building in which these properties are situated.

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

18. LOANS RECEIVABLE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Unsecured		
– guaranteed by outside parties and bearing interest at a fixed rate of 5% per annum	7,500	–
– bearing interest at a fixed rate of 5% per annum	10,000	–
Amount due from borrowers repayable after one year shown under non-current assets	<u>17,500</u>	<u>–</u>

The management closely monitors the credit quality of loans receivable and considers loans receivable that are neither past due nor impaired to be of good credit quality with reference to financial background and creditability of individual borrowers, subsequent settlement and payment history of the borrowers. No loans receivable is past due at the end of the reporting period.

All loans receivable are denominated in HKD, functional currency of the relevant group entity, at the end of the reporting period.

19. TRADE AND OTHER RECEIVABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables	14,550	15,570
Less: Allowance for doubtful debts	<u>–</u>	<u>–</u>
	14,550	15,570
Prepayments	812	339
Deposits paid to suppliers to be realised within 1 year	6,727	5,632
Other receivables	<u>907</u>	<u>4,248</u>
	<u>22,996</u>	<u>25,789</u>

The Group allows an average credit period of up to 90 days to its customers. The aged analysis of trade receivables, based on the invoice date which approximate revenue recognition date, at the end of the reporting period is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 60 days	14,534	15,550
61 – 90 days	16	20
	<u>14,550</u>	<u>15,570</u>

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

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$537,000 (2012: HK\$544,000) 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Over due by 1 to 60 days	521	523
Over due by 61 to 90 days	16	20
Over due by over 90 days	–	1
	<u>537</u>	<u>544</u>

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 end of the reporting period.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
USD	13,622	14,391
RMB	3	157
	<u>13,625</u>	<u>14,548</u>

20. BILLS RECEIVABLE

At 31 March 2013, the bills receivable are aged within 60 days and are denominated in USD.

21. 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.

22. BANK BALANCES AND CASH

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 0.001% to 4.6% (2012: 0.001% to 3.1%) per annum.

Cash and cash equivalents represent cash and bank balances. As at 31 March 2013, the Group placed a time deposit, amounting to RMB66,880,000 (equivalent to HK\$82,875,000), with a financial institution in the PRC with original maturity of three months (2012: nil). The time deposit contains embedded derivative, the interest rate of which is determined with reference to the exchange rate of USD against HKD and ranges from 2.86% to 4.0% per annum. The embedded derivative is considered closely related to the host contract as it would not double the Group's initial return on the host contract when comparing to the host contract without embedded derivative. Therefore it has not been accounted for separately in the consolidated financial statements and is included in "bank balances and cash" as at 31 March 2013.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
HKD	28	28
RMB	13	14
USD	65,003	40,959
EUR	–	10,199
	<u> </u>	<u> </u>

23. TRADE AND OTHER PAYABLES

The aged analysis of trade payables, based on the invoice date, at the end of the reporting period is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade payables:		
0 – 60 days	5,007	7,252
61 – 90 days	45	–
	<u> </u>	<u> </u>
	5,052	7,252
Rental deposits received and rental received in advance	4,436	2,701
Accruals	3,456	2,968
Other taxes payable	4,474	11,070
Other payables	216	719
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	17,634	24,710
	<u> </u>	<u> </u>

The average credit period on purchases of goods is 30 days.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
USD	93	85
	<u> </u>	<u> </u>

24. BILLS PAYABLE

At 31 March 2012, the bills payable were aged within 30 days. All of the Group's bills payable were denominated in the functional currencies of the relevant group entities.

25. SECURED BANK BORROWINGS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Carrying amount repayable:		
– within one year	6,755	–
– between one to two years	6,949	–
– between two to five years	22,035	–
– more than five years	132,948	–
	<u>168,687</u>	<u>–</u>
Less: Amount due within one year shown under current liabilities	(6,755)	–
Amount due after one year	<u><u>161,932</u></u>	<u><u>–</u></u>

At 31 March 2013, the Group's secured bank borrowings carried interest at HIBOR plus 2.5%, with effective interest ranging from 2.71% to 2.72% per annum, and are repayable by 240 monthly instalments. The loans are secured by investment properties of the Group with an aggregate carrying amount of HK\$372,000,000. The proceeds were used to finance acquisition of investment properties.

All bank borrowings are denominated in HKD, functional currencies of the relevant group entities, at the end of the reporting period.

26. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.3.2013 <i>HK\$'000</i>	31.3.2012 <i>HK\$'000</i> (Restated)	1.4.2011 <i>HK\$'000</i> (Restated)
Deferred tax liabilities	<u>(12,870)</u>	<u>(12,888)</u>	<u>(18,252)</u>

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Revaluation of properties <i>HK\$'000</i>	Intangible asset <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011 (originally stated)	(20,525)	(3,566)	335	(23,756)
Adjustments upon adoption of amendments to HKAS 12	<u>5,839</u>	<u>–</u>	<u>(335)</u>	<u>5,504</u>
At 1 April 2011 (restated)	(14,686)	(3,566)	–	(18,252)
Exchange adjustments	(544)	–	–	(544)
Credit to profit or loss for the year	<u>2,342</u>	<u>3,566</u>	<u>–</u>	<u>5,908</u>
At 31 March 2012 (restated)	(12,888)	–	–	(12,888)
Exchange adjustments	(51)	–	–	(51)
Credit to profit or loss for the year	<u>69</u>	<u>–</u>	<u>–</u>	<u>69</u>
At 31 March 2013	<u><u>(12,870)</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>(12,870)</u></u>

At 31 March 2013, tax losses not recognised in the consolidated financial statements were HK\$40,459,000 (2012: HK\$37,902,000, restated). The losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unrecognised tax losses due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	<i>Notes</i>	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 April 2011 and 31 March 2012				
Consolidation of shares	<i>(d)(i)</i>	0.01	20,000,000,000 <u>(19,000,000,000)</u>	200,000 <u>–</u>
Reduction of share capital	<i>(d)(iii)</i>	0.20 –	1,000,000,000 <u>–</u>	200,000 <u>(190,000)</u>
Increase in new consolidated shares	<i>(d)(v)</i>	0.01 0.01	1,000,000,000 <u>19,000,000,000</u>	10,000 <u>190,000</u>
At 31 March 2013		0.01	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At 1 April 2011 and 31 March 2012				
Issue of new shares	<i>(a)</i>	0.01	550,686,675	5,507
Issue of new shares	<i>(b)</i>	0.01	97,470,000	975
Issue of new shares	<i>(b)</i>	0.01	<u>114,700,000</u>	<u>1,147</u>
Rights issue of shares	<i>(c)</i>	0.01	762,856,675 <u>381,428,337</u>	7,629 <u>3,814</u>
Consolidation of shares	<i>(d)(i)</i>		1,144,285,012 <u>(1,087,070,762)</u>	11,443 <u>–</u>
Reduction of share capital	<i>(d)(ii)</i>	0.20	57,214,250 <u>–</u>	11,443 <u>(10,871)</u>
Rights issue of shares	<i>(e)</i>	0.01	57,214,250	572
Issue of new shares	<i>(f)</i>	0.01	286,071,250 <u>68,656,000</u>	2,861 <u>686</u>
At 31 March 2013			<u>411,941,500</u>	<u>4,119</u>

- (a) On 12 June 2012, the Company allotted 97,470,000 ordinary shares of HK\$0.01 each by placing to six placees at a placing price of HK\$0.141 per share. The Company raised HK\$13,606,000 (net of expenses) with the intention at the time of placing to serve as general working capital of the Group. The new placing shares were issued pursuant to the general mandate granted to the directors by a resolution of the shareholders of the Company passed at the annual general meeting held on 30 August 2011. Further details of this placing of new shares are set out in the Company's announcements dated 30 May 2012 and 12 June 2012.

- (b) On 31 July 2012, the Company allotted 114,700,000 ordinary shares of HK\$0.01 each by placing to six places at a placing price of HK\$0.106 per share. The Company raised HK\$12,037,000 (net of expenses) with the intention at the time of placing to finance the fitting and renovation of the Group's properties and serve as general working capital of the Group. The new placing shares were issued pursuant to the general mandate granted to the directors by a resolution of the shareholders of the Company passed at the annual general meeting held on 29 June 2012.
- (c) On 3 October 2012, the Company allotted 381,428,337 rights shares of HK\$0.01 each at a subscription price of HK\$0.077 per rights share on the basis of one rights share for every two then existing ordinary shares held. The Company raised HK\$29,229,000 (net of expenses) with the intention at the time of rights issue to finance property investments and serve as general working capital of the Group.
- (d) As announced by the Company on 11 October 2012, the Company proposed to effect (i) a share consolidation pursuant to which every twenty issued and unissued then existing shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.20 each ("Consolidated Share(s)"); (ii) the reduction of the nominal value of each issued Consolidated Share from HK\$0.20 to HK\$0.01 by cancelling HK\$0.19 paid up share capital for each Consolidated Share ("Issued Capital Reduction"); (iii) the reduction of the par value of all shares in the authorised share capital of the Company from HK\$0.20 each to HK\$0.01 each, resulting in the reduction of the authorised share capital from HK\$200,000,000 divided into 1,000,000,000 Consolidated Shares of par value of HK\$0.20 each to HK\$10,000,000 divided into 1,000,000,000 shares of par value HK\$0.01 each; (iv) the transfer of the credit arising from the Issued Capital Reduction to the contributed surplus account of the Company; (v) the increase of the authorised share capital of the Company from HK\$10,000,000 divided into 1,000,000,000 shares of par value of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 shares of par value HK\$0.01 each; and (vi) the transfer of any credit balance in the contributed surplus account of the Company to set off against accumulated losses of the Company, which amounted to HK\$24,618,000. The above are collectively referred to the "Capital Reorganisation". Further details of the Capital Reorganisation are set out, among others, in the Company's circular dated 15 November 2012. Special resolutions approving the Capital Reorganisation were passed at the special general meeting of the Company held on 10 December 2012. The Capital Reorganisation became effective at 9:00 a.m. on 11 December 2012.
- (e) After the completion of Capital Reorganisation and on 11 January 2013, the Company allotted 286,071,250 ordinary shares of HK\$0.01 each at a subscription price of HK\$0.40 per rights share on the basis of five rights shares for every one then existing share held. The Company raised HK\$113,875,000 (net of expenses) with the intention at the time of rights issue to finance the property investments and serve as general working capital of the Group.
- (f) On 18 February 2013, the Company allotted 68,656,000 ordinary shares of HK\$0.01 each by placing to six places at a placing price of HK\$0.44 per share. The Company raised HK\$29,906,000 (net of expenses) with the intention at the time of placing to finance the property investments of the Group. The new placing shares were issued pursuant to the general mandate granted to the directors by a resolution of the shareholders of the Company passed at the special general meeting held on 22 January 2013.

All shares issued during the year ended 31 March 2013 rank pari passu within the then existing shares in issue in all respects.

28. SHARE OPTION SCHEME**The 2002 Share Option Scheme**

On 6 June 2002, a share option scheme (the “2002 Share Option Scheme”) was approved by the shareholders of the Company. Under the terms of the 2002 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 2002 Share Option Scheme, which is valid for a period of 10 years, was terminated on 22 June 2012.

The purposes of the 2002 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 2002 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 2002 Share Option Scheme.

The maximum number of shares issuable upon the exercise of the share options granted to each eligible participant of the 2002 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 2002 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 2002 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.

No share options were granted under the 2002 Share Option Scheme or exercised during the years ended 31 March 2013 and 31 March 2012.

The 2012 Share Option Scheme

On 29 June 2012, a new share option scheme (the “2012 Share Option Scheme”) was approved by the shareholders of the Company. Under the terms of the 2012 Share Option Scheme, the board of directors of the Company may, at its absolute discretion, offer options to any full-time employee, director or consultant of any member of the Group (including associated companies) to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme is valid during the period of 10 years commencing 29 June 2012, unless otherwise cancelled or amended.

The purposes of the 2012 Share Option Scheme are to encourage eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The maximum number of shares which may be issued under the 2012 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 2012 Share Option Scheme.

The maximum number of shares issuable upon the exercise of the share options granted to each eligible participant of the 2012 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. At the time of grant of the share options, the Company must (a) specify the minimum period(s), if any, for which a share option must be held before it can be exercised in whole or in part, and (b) specify the minimum performance target(s), if any, which must be achieved before the share options can be exercised in whole or in part. The amount payable on acceptance of an offer for grant of share options is HK\$1.

The exercise price in respect of any particular option of the 2012 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.

No share options were granted under the 2012 Share Option Scheme or exercised during the year ended 31 March 2013 since its adoption.

29. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to a bank to secure credit facilities granted to the Group:

	2013 HK\$'000	2012 HK\$'000
Investment properties	372,000	–

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2013 HK\$'000	2012 HK\$'000
Minimum lease payments recognised in profit or loss during the year	2,597	2,775

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	2,528	240
In the second year to fifth year inclusive	3,536	29
	6,064	269

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for lease terms ranging from one to three years (2012: one to two years).

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

The Group as lessor

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Property rental income earned during the year	11,780	5,998
Less: Outgoings	—	—
Net rental income	<u>11,780</u>	<u>5,998</u>

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within one year	9,927	7,175
In the second to fifth year inclusive	8,965	7,545
Over five years	—	495
	<u>18,892</u>	<u>15,215</u>

Under the leases entered into by the Group, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. The properties held have committed tenants for terms of one to five years (2012: one to six years).

31. CAPITAL COMMITMENTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– property, plant and equipment	1,399	9,850
– investment properties	3,617	162,000
	<u>5,016</u>	<u>171,850</u>

32. 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, which was revised to HK\$1,250 with effect from 1 June 2012 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, which was revised to HK\$1,250 with effect from 1 June 2012 (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 statement of comprehensive income were as follows:

	2013 HK\$'000	2012 HK\$'000
Employers' contributions recognised in profit or loss	413	434

At the end of the reporting period, there were no forfeited contributions available to reduce the contributions payable in the future years.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2013 and 31 March 2012 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/indirectly held by the Company		Principal activities
			2013	2012	
Chancemore Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100%	100%	Property investment
City China International Limited	Hong Kong	Ordinary HK\$1	100%	100%	Loan financing
Clever Wise Holdings Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100%	100%	Property investment
Easyknit Global Company Limited	Hong Kong	Ordinary HK\$2	100%	100%	Trading of garments
Easyknit Worldwide Company Limited	Hong Kong	Ordinary HK\$2	100%	100%	Trading of garments
Gainever Corporation Limited	Hong Kong	Ordinary HK\$2	100%	100%	Trading of securities
Main Lucky Enterprises Limited	Hong Kong	Ordinary HK\$1	100%	100%	Property investment
Top Channel Enterprises Limited	Hong Kong	Ordinary HK\$1	100%	100%	Property investment
Easyknit Enterprises (Huzhou) Co., Ltd. ("Enterprises Huzhou")*	PRC	Registered US\$25,544,206	100%	100%	Property investment

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

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.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. Majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2013	2012
Investment holding	Hong Kong	6	6
Inactive	Hong Kong	6	5
Inactive	PRC	2	4
		14	15
		14	15

None of the subsidiaries had issued any debt securities at 31 March 2013 or 31 March 2012.

34. EVENT AFTER THE END OF THE REPORTING PERIOD

As announced by the Company on 5 April 2013, the Company proposed to raise approximately HK\$123.6 million (before expenses) by way of the rights issue of 1,235,824,500 rights shares of HK\$0.01 each at a subscription price of HK\$0.10 per rights share on the basis of three rights shares for every one then existing share held. This rights issue of shares was approved by the Company's independent shareholders at the special general meeting of the Company held on 16 May 2013. 1,235,824,500 rights shares were allotted on 19 June 2013.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK\$'000	2012 HK\$'000
Non-current assets		
Interests in subsidiaries	571,647	446,429
Current assets		
Other receivables	244	207
Bank balances	121,286	59,826
	121,530	60,033
Current liabilities		
Other payables	2,035	2,417
Net current assets	119,495	57,616
Net assets	691,142	504,045
Capital and reserves		
Share capital	4,119	5,507
Reserves (<i>Note</i>)	687,023	498,538
	691,142	504,045

Note: Movements of the Company's reserves during the current and prior years are as follows:

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	169,872	53,194	299,722	(8,575)	514,213
Total comprehensive expense for the year	—	—	—	(15,675)	(15,675)
At 31 March 2012	169,872	53,194	299,722	(24,250)	498,538
Total comprehensive expense for the year	—	—	—	(11,556)	(11,556)
Issue of new shares	190,425	—	—	—	190,425
Transaction costs attributable to issue of new shares	(1,255)	—	—	—	(1,255)
Reduction of share capital upon capital reorganisation	—	—	10,871	—	10,871
Set-off contributed surplus against accumulated losses	—	—	(24,618)	24,618	—
At 31 March 2013	<u>359,042</u>	<u>53,194</u>	<u>285,975</u>	<u>(11,188)</u>	<u>687,023</u>

3. LATEST UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 September 2013

		Six months ended	
		30 September	
	<i>Notes</i>	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations:			
Turnover	3	103,753	120,165
Cost of goods sold and services rendered		<u>(86,361)</u>	<u>(102,985)</u>
Gross profit		17,392	17,180
Other income		4,613	2,100
Other gains and losses		(15)	(259)
Other expenses		(891)	(681)
Distribution and selling expenses		(1,996)	(2,284)
Administrative expenses		(14,531)	(13,489)
Gain (loss) arising on changes in fair value of investment properties		6,384	(45,006)
Loss on fair value changes of investments held for trading		(3,020)	(3,918)
Finance costs – interest on bank borrowings not wholly repayable within five years		<u>(2,269)</u>	<u>(1,507)</u>
Profit (loss) before taxation		5,667	(47,864)
Taxation (charge) credit	4	<u>(1,596)</u>	<u>634</u>
Profit (loss) for the period from continuing operations	5	4,071	(47,230)
Discontinued operations:			
Profit for the period from discontinued operations	6	<u>–</u>	<u>26,617</u>
Profit (loss) for the period attributable to owners of the Company		<u>4,071</u>	<u>(20,613)</u>

		Six months ended	
		30 September	
	<i>Note</i>	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences released upon deregistration of subsidiaries		–	(14,714)
Exchange differences arising on translation of financial statements of foreign operations		<u>3,423</u>	<u>(3,007)</u>
Other comprehensive income (expense) for the period		<u>3,423</u>	<u>(17,721)</u>
Total comprehensive income (expense) for the period attributable to owners of the Company		<u>7,494</u>	<u>(38,334)</u>
			(Restated)
Basic earnings (loss) per share	7	HK cents	HK cents
From continuing and discontinued operations		<u>0.32</u>	<u>(2.46)</u>
From continuing operations		<u>0.32</u>	<u>(5.65)</u>

Condensed Consolidated Statement of Financial Position

At 30 September 2013

	<i>Notes</i>	30 September 2013 <i>HK\$'000</i> (Unaudited)	31 March 2013 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	8	131	141
Investment properties	9	629,714	612,874
Loans receivable		17,500	17,500
		<u>647,345</u>	<u>630,515</u>
Current assets			
Trade and other receivables	10	23,508	22,996
Bills receivable	11	–	153
Investments held for trading		100,109	72,904
Bank deposit with original maturity of more than three months	12	130,000	–
Bank balances and cash	12	265,245	277,411
		<u>518,862</u>	<u>373,464</u>
Current liabilities			
Trade and other payables	13	28,956	17,634
Bills payable	14	1,553	–
Tax payable		6,909	6,909
Secured bank borrowings	15	6,886	6,755
		<u>44,304</u>	<u>31,298</u>
Net current assets		<u>474,558</u>	<u>342,166</u>
Total assets less current liabilities		<u>1,121,903</u>	<u>972,681</u>
Non-current liabilities			
Deferred tax liabilities	16	14,643	12,870
Secured bank borrowings	15	158,449	161,932
		<u>173,092</u>	<u>174,802</u>
		<u>948,811</u>	<u>797,879</u>
Capital and reserves			
Share capital	17	19,773	4,119
Reserves		929,038	793,760
		<u>948,811</u>	<u>797,879</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note)	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	4,119	359,042	53,194	285,975	26,116	40,624	28,809	797,879
Exchange differences arising on translation of foreign operations	-	-	-	-	3,423	-	-	3,423
Profit for the period	-	-	-	-	-	-	4,071	4,071
Total comprehensive income for the period	-	-	-	-	3,423	-	4,071	7,494
Issue of new shares (note 17)	15,654	128,690	-	-	-	-	-	144,344
Transaction costs attributable to issue of new shares	-	(906)	-	-	-	-	-	(906)
At 30 September 2013 (unaudited)	19,773	486,826	53,194	285,975	29,539	40,624	32,880	948,811
At 1 April 2012 (audited)	5,507	169,872	53,194	299,722	39,821	40,624	(504)	608,236
Exchange differences released upon deregistration of subsidiaries	-	-	-	-	(14,714)	-	-	(14,714)
Exchange differences arising on translation of foreign operations	-	-	-	-	(3,007)	-	-	(3,007)
Loss for the period	-	-	-	-	-	-	(20,613)	(20,613)
Total comprehensive expense for the period	-	-	-	-	(17,721)	-	(20,613)	(38,334)
Issue of new shares	2,122	23,780	-	-	-	-	-	25,902
Transaction costs attributable to issue of new shares	-	(259)	-	-	-	-	-	(259)
Proceeds received from rights issue	-	-	29,370	-	-	-	-	29,370
At 30 September 2012 (unaudited)	7,629	193,393	82,564	299,722	22,100	40,624	(21,117)	624,915

Note:

The capital reserve of the Group as at 1 April 2012, 1 April 2013 and 30 September 2013 represent 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.

On 15 August 2012, the Company announced a rights issue of 381,428,337 rights shares at a subscription price of HK\$0.077 per rights share. As at 30 September 2012, the Company received applications and payments for 611,105,134 rights shares. The rights issue was over-subscribed by 229,676,797 rights shares. The rights issue was completed on 3 October 2012. Details of the rights issue are set out in the Company's prospectus dated 11 September 2012. Details of the results of the rights issue are set out in the Company's announcement dated 4 October 2012. Proceeds amounting to HK\$29,370,000 in respect of rights shares issued in October 2012 were credited to the capital reserve account until new shares of the Company were issued; this sum was then reclassified to share capital account and share premium account. The remaining proceeds of HK\$17,685,000 in respect of over-subscription of rights shares were included in trade and other payables as at 30 September 2012.

Condensed Consolidated Statement of Cash Flows*For the six months ended 30 September 2013*

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(18,310)</u>	<u>(2,225)</u>
Investing activities		
Placement of bank deposits with original maturity of more than three months	(130,000)	(67,049)
Addition of investment properties	(5,266)	(261,421)
Purchase of property, plant and equipment	(21)	(999)
Other investing cash flows	<u>2,536</u>	<u>472</u>
Net cash used in investing activities	<u>(132,751)</u>	<u>(328,997)</u>
Financing activities		
Proceeds received from rights issue of shares	123,583	47,055
Proceeds from issue of new shares	20,761	25,902
Repayment of bank borrowings	(3,352)	(1,979)
Interests paid	(2,269)	(1,507)
Expenses on issue of new shares	(906)	(259)
Bank borrowings raised	<u>–</u>	<u>174,000</u>
Net cash from financing activities	<u>137,817</u>	<u>243,212</u>
Net decrease in cash and cash equivalents	(13,244)	(88,010)
Cash and cash equivalents at beginning of the period	277,411	205,477
Effect of foreign exchange rate changes	<u>1,078</u>	<u>(1,156)</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u><u>265,245</u></u>	<u><u>116,311</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The condensed consolidated financial statements of Easyknit Enterprises Holdings Limited (the “Company”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company had been regarded as a subsidiary of Easyknit International Holdings Limited (“Easyknit International”), which is incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. Immediately after the Company’s placing of new shares on 24 September 2013 (see note 17(h)), Easyknit International’s equity interest in the Company was reduced to 36.27% and the Company has since been regarded as an associate of Easyknit International.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 13	Fair value measurement;
HKAS 19 (as revised in 2011)	Employee benefits;
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities;
Amendments to HKAS 1	Presentation of items of other comprehensive income;
Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments to HKAS 1; and
HK (IFRIC) – INT 20	Stripping costs in the production phase of a surface mine.

HKFRS 13 “Fair value measurement”

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 18.

Amendments to HKAS 1 “Presentation of items of other comprehensive income”

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group’s operating and reportable segments from continuing operations under HKFRS 8 are: (a) garment sourcing and exporting, (b) property investment, (c) investment in securities and (d) loan financing. During the year ended 31 March 2013, a wholly-owned subsidiary of the Company, which is principally engaged in loan financing, commenced business. The chief operating decision maker (the “CODM”), being the Group’s chief executive officer, decided to review the performance of loan financing for the purpose of resources allocation and performance assessment. Accordingly, a new segment for loan financing is presented.

The following is an analysis of the Group’s revenue and results from its continuing operations by operating and reportable segment for the period under review:

For the six months ended 30 September 2013

Continuing operations:

	Garment sourcing and exporting	Property investment	Investment in securities	Loan financing	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover						
External	96,969	6,345	–	439	–	103,753
Segment (loss) profit	(2,077)	10,668	(992)	379	–	7,978
Other income						2,536
Other gains and losses						(15)
Other expenses						(871)
Finance costs						(2,269)
Unallocated corporate expenses						(1,692)
Profit before taxation (continuing operations)						5,667

For the six months ended 30 September 2012

Continuing operations:

	Garment sourcing and exporting	Property investment	Investment in securities	Loan financing	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover						
External	114,653	5,512	–	–	–	120,165
Segment loss	(450)	(41,857)	(2,309)	–	–	(44,616)
Other income						472
Other gains and losses						(259)
Other expenses						(681)
Finance costs						(1,507)
Unallocated corporate expenses						(1,273)
Loss before taxation (continuing operations)						(47,864)

Segment profit (loss) represents the result incurred by each segment without allocation of other income, other gains and losses, other expenses, finance costs and unallocated corporate expenses. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	30 September 2013	31 March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets		
Garment sourcing and exporting	21,129	20,952
Property investment	723,603	705,339
Investment in securities	100,308	72,909
Loan financing	17,591	17,588
Total segment assets	862,631	816,788
Bank deposits with original maturity of more than three months	130,000	–
Unallocated bank balances and cash	173,335	186,936
Others	241	255
Consolidated assets	1,166,207	1,003,979
Segment liabilities		
Garment sourcing and exporting	14,797	5,692
Property investment	9,692	6,248
Total segment liabilities	24,489	11,940
Secured bank borrowings	165,335	168,687
Unallocated	27,572	25,473
Consolidated liabilities	217,396	206,100

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than bank deposits with original maturity of more than three months, unallocated bank balances and cash and assets used jointly by operating and reportable segments.
- all liabilities are allocated to operating and reportable segments other than secured bank borrowings, current and deferred tax liabilities and liabilities for which operating and reportable segments are jointly liable.

4. TAXATION (CHARGE) CREDIT

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations:		
The (charge) credit comprises:		
Deferred tax (<i>note 16</i>)	(1,596)	634
	<u> </u>	<u> </u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the People's Republic of China (the "PRC") is 25%.

No provision for PRC Enterprise Income Tax has been made as the Group has no assessable profit for both periods.

5. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period from continuing operations has been arrived at after charging:		
Depreciation	31	124
Dividend income from listed investments	2,074	1,627
Exchange loss (included in other gains and losses)	15	259
Total staff costs (including directors' emoluments)	8,073	7,018
	<u> </u>	<u> </u>

6. DISCONTINUED OPERATIONS

On 22 November 2009, the directors resolved to cease the bleaching and dyeing, and knitting businesses and these businesses were ceased in December 2009 and accordingly were presented as discontinued operations. During the six months ended 30 September 2012, the Group deregistered certain subsidiaries of these discontinued businesses (the “Ceased Subsidiaries”). The results of the discontinued operations included in the condensed consolidated statement of profit or loss and other comprehensive income are set out below.

	Six months ended 30 September 2012
	<i>HK\$'000</i>
Profit for the period from discontinued operations	
Write back of other tax payable	6,139
Profit before taxation	6,139
Taxation credit – overprovision of PRC Enterprise Income Tax	5,764
Profit for the period	11,903
Cumulative exchange differences in respect of the Ceased Subsidiaries reclassified from equity to profit or loss upon deregistration	14,714
	<u>26,617</u>

The Group submitted the liquidation accounts of the Ceased Subsidiaries to the relevant PRC tax bureau, paid all taxes assessed and obtained approval of the tax bureau to cancel the tax registration of the Ceased Subsidiaries prior to cancelling the business registration with the Huzhou Administration for Industry and Commerce. In the opinion of the directors, the Group had no further obligations in respect of the Ceased Subsidiaries. As such, all recorded liabilities (including income tax payable and other tax payable) were released upon deregistration of the Ceased Subsidiaries during the six months ended 30 September 2012.

7. BASIC EARNINGS (LOSS) PER SHARE**From continuing and discontinued operations:**

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

	Six months ended 30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the purpose of basic earnings (loss) per share	<u>4,071</u>	<u>(20,613)</u>
	Number of shares	
	(Restated)	
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>1,256,914,531</u>	<u>836,465,125</u>

From continuing operations:

The calculation of the basic earnings (loss) per share from continuing operations attributable to owners of the Company is based on the following data:

Profit (loss) figures are calculated as follows:

	Six months ended 30 September	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit (loss) for the period attributable to owners of the Company	4,071	(20,613)
Less: Profit for the period from discontinued operations	—	26,617
	<u>4,071</u>	<u>(47,230)</u>
	Number of shares (Restated)	
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>1,256,914,531</u>	<u>836,465,125</u>

The denominator for the purpose of calculating basic loss per share for the six months ended 30 September 2012 has been adjusted to reflect (i) the bonus element of the rights issue completed in October 2012 on the basis of one rights share for every two ordinary shares (see note 17(c)); (ii) the bonus element of the rights issue completed in January 2013 on the basis of five rights shares for every one ordinary share (see Note 17(e)); and (iii) the bonus element of the rights issue completed in June 2013 on the basis of three rights shares for every one ordinary share (see note 17(g)).

From discontinued operations:

Basic earnings per share from discontinued operations for the six months ended 30 September 2012 is HK cents 3.19 per share, based on the profit for the period from discontinued operations of HK\$26,617,000 for six months ended 30 September 2012 and the denominators detailed above for basic loss per share from continuing and discontinued operations.

No diluted earnings per share is presented as the Group did not have any potential ordinary shares for both periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent HK\$21,000 on acquisition of property, plant and equipment (six months ended 30 September 2012: HK\$999,000).

9. INVESTMENT PROPERTIES

During the current interim period, the Group has addition of investment properties amounting to HK\$7,934,000 (six months ended 30 September 2012: HK\$279,421,000). The newly added investment properties in the current interim period are situated in the PRC and held under medium-term lease.

The Group's investment properties are held for rental purposes under operating leases and are measured using the fair value model. The fair values of the Group's investment properties at the end of the reporting period were arrived at on the basis of valuation carried out as at these dates, by the following independent firms of qualified professional property valuers not connected with the Group:

Name of valuer	Location of investment properties	Carrying amount	
		30 September 2013 HK\$'000	31 March 2013 HK\$'000
Vigers Appraisal and Consulting Limited	Hong Kong	428,860	428,860
Knight Frank Petty Limited	PRC	200,854	184,014

The valuation of investment properties in Hong Kong amounting to HK\$428,860,000 (31 March 2013: HK\$428,860,000) was arrived at by reference to market evidence of recent transaction prices for similar properties. The valuation of completed investment properties and investment properties under development in the PRC amounting to HK\$138,173,000 and HK\$62,681,000, respectively, (31 March 2013: HK\$133,828,000 and HK\$50,186,000, respectively) were arrived at by reference to net rental income allowing for reversionary income potential using the applicable market yields for respective locations and types of properties. The valuation of investment properties under development in the PRC also takes into account the stage of completion of these properties at the end of the reporting period. As at 30 September 2013, certain investment properties under development are in preliminary stage according to the construction plan. For these investment properties under development, the valuation considers the respective fair value of land portion and the building costs incurred in the current interim period.

During the six months ended 30 September 2012, the loss arising on changes in fair value of the investment properties of HK\$45,006,000 was recognised in profit or loss. A substantial portion of the loss arising on changes in fair value of the investment properties was arisen from the investment properties acquired in that interim period. In determining the purchase consideration of these properties, the Group took into account both the existing value (i.e. existing state and use of the properties which do not reflect the future development potential) and the bare site value which, in the opinion of the directors, reflect the prevailing market conditions, the real market value and the future development potential of the properties. In determining the fair value of these properties at 30 September 2012, the directors (and the independent property valuers under the instructions of the directors) only took into account the existing use value of these properties as the Group has not yet obtained ownership of all units of the building in which these properties are situated.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of up to 90 days to its customers under garment sourcing and exporting. The aged analysis of trade receivables, based on the invoice date which approximate revenue recognition date, at the end of the reporting period is as follows:

	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Trade receivables:		
0 – 60 days	20,463	14,534
61 – 90 days	100	16
	<hr/>	<hr/>
Prepayments	20,563	14,550
Deposits for suppliers to be realised within 1 year	1,006	812
Other receivables	1,149	6,727
	<hr/>	<hr/>
	790	907
	<hr/>	<hr/>
	23,508	22,996
	<hr/>	<hr/>

11. BILLS RECEIVABLE

At 31 March 2013, the bills receivable were aged within 60 days.

12. BANK DEPOSIT WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS/BANK BALANCES AND CASH

Cash and cash equivalents represent cash and bank balances with an original maturity of not more than three months.

As at 30 September 2013, the Group placed a time deposit, amounting to HK\$130,000,000, with a financial institution in Hong Kong with original maturity of more than three months. It carries interest at a fixed rate of 1.2% per annum.

In addition, as at 30 September 2013, the Group placed two time deposits, amounting to RMB68,483,000 (equivalent to HK\$86,023,000), with a financial institution in the PRC with original maturity of one month (31 March 2013: RMB66,880,000, equivalent to HK\$82,875,000, with original maturity of three months). The time deposits contain embedded derivative, the interest rates of which are determined with reference to the exchange rate of United States dollars against Hong Kong dollars and range from 1.485% to 4.5% and 1.485% to 4.2% per annum (31 March 2013: ranging from 2.86% to 4.0% per annum). The embedded derivative is considered closely related to the respective host contracts as it would not double the Group's initial return on the host contract when comparing to the host contract without embedded derivative. Therefore it has not been accounted for separately in the condensed consolidated financial statements and included in bank balances and cash.

13. TRADE AND OTHER PAYABLES

The aged analysis of trade payables, based on the invoice date, at the end of the reporting period is as follows:

	30 September 2013	31 March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
0 – 60 days	12,121	5,007
61 – 90 days	–	45
	<u>12,121</u>	<u>5,052</u>
Rental deposits received and rental received in advance	5,046	4,436
Accruals	4,057	3,456
Other tax payable	4,494	4,474
Other payables	3,238	216
	<u>28,956</u>	<u>17,634</u>

14. BILLS PAYABLE

At 30 September 2013, the bills payable are aged between 31 – 60 days.

15. SECURED BANK BORROWINGS

The Group did not obtain any new bank loans during the current interim period. During the six months ended 30 September 2012, the Group obtained new bank loans amounting to HK\$174,000,000. These bank loans carried interest at Hong Kong Interbank Offered Rate plus 2.5% per annum, with effective interest at 2.71% per annum, and were repayable by 240 monthly instalments. These bank loans were secured by certain investment properties of the Group located in Hong Kong.

16. DEFERRED TAX LIABILITIES

	Revaluation of properties HK\$'000
At 1 April 2012	(12,888)
Credit to profit or loss for the period	634
Currency realignment	157
	<hr/>
At 30 September 2012	(12,097)
Charge to profit or loss for the period	(565)
Currency realignment	(208)
	<hr/>
At 31 March 2013	(12,870)
Charge to profit or loss for the period	(1,596)
Currency realignment	(177)
	<hr/>
At 30 September 2013	<u>(14,643)</u>

At 30 September 2013, the Group has unused tax losses of HK\$48,800,000 (31 March 2013: HK\$40,459,000) available for offset against future profits. No deferred tax assets has been recognised in respect of such tax losses due to unpredictability of future profit streams.

17. SHARE CAPITAL

	<i>Notes</i>	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 April 2012 and 30 September 2012		0.01	20,000,000,000	200,000
Consolidation of shares	<i>(d)</i>		<u>(19,000,000,000)</u>	<u>–</u>
		0.20	1,000,000,000	200,000
Reduction of share capital	<i>(d)</i>		<u>–</u>	<u>(190,000)</u>
		0.01	1,000,000,000	10,000
Increase in new consolidated shares	<i>(d)</i>	0.01	<u>19,000,000,000</u>	<u>190,000</u>
At 31 March 2013 and 30 September 2013		0.01	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At 1 April 2012		0.01	550,686,675	5,507
Issue of new shares	<i>(a)</i>	0.01	97,470,000	975
Issue of new shares	<i>(b)</i>	0.01	<u>114,700,000</u>	<u>1,147</u>
			762,856,675	7,629
At 30 September 2012		0.01	<u>381,428,337</u>	<u>3,814</u>
Rights issue of shares	<i>(c)</i>		1,144,285,012	11,443
			<u>(1,087,070,762)</u>	<u>(10,871)</u>
Consolidation of shares and reduction of share capital	<i>(d)</i>		57,214,250	572
		0.01	286,071,250	2,861
Rights issue of shares	<i>(e)</i>	0.01	<u>68,656,000</u>	<u>686</u>
Issue of new shares	<i>(f)</i>	0.01	411,941,500	4,119
		0.01	1,235,824,500	12,358
At 31 March 2013	<i>(g)</i>	0.01	<u>329,540,000</u>	<u>3,296</u>
Rights issue of shares	<i>(h)</i>	0.01	1,977,306,000	19,773
Issue of new shares	<i>(h)</i>	0.01	<u>–</u>	<u>–</u>
At 30 September 2013			<u>1,977,306,000</u>	<u>19,773</u>

Notes:

- (a) On 12 June 2012, the Company allotted 97,470,000 ordinary shares of HK\$0.01 each by placing to six placees at a placing price of HK\$0.141 per share. The Company raised HK\$13,606,000 (net of expenses) with the intention at the time of placing to serve as general working capital of the Group. The new placing shares were issued pursuant to the general mandate granted to the directors by a resolution of the shareholders of the Company passed at the annual general meeting held on 30 August 2011. Further details of this placing of new shares are set out in the Company's announcements dated 30 May 2012 and 12 June 2012.
- (b) On 31 July 2012, the Company allotted 114,700,000 ordinary shares of HK\$0.01 each by placing to six placees at a placing price of HK\$0.106 per share. The Company raised HK\$12,037,000 (net of expenses) with the intention at the time of placing to finance the fitting and renovation of the Group's investment properties and serve as general working capital of the Group. The new placing shares were issued pursuant to the general mandate granted to the directors by a resolution of the shareholders of the Company passed at the annual general meeting held on 29 June 2012. Further details of the placing of new shares are set out in the Company's announcements dated 18 July 2012, 19 July 2012 and 31 July 2012.
- (c) On 3 October 2012, the Company allotted 381,428,337 rights shares of HK\$0.01 each at a subscription price of HK\$0.077 per rights share on the basis of one rights share for every two then existing ordinary shares held. The Company raised HK\$29,229,000 (net of expenses) with the intention at the time of rights issue to finance property investments and serve as general working capital of the Group.
- (d) The Company underwent a capital reorganisation which involved, among others, consolidation of issued and unissued shares, reduction of nominal value of paid up capital of consolidated shares, reduction of nominal value of all shares in the authorised share capital and increase of the authorised share capital. The capital reorganisation became effective at 9:00 a.m. on 11 December 2012, as a result of which (i) nominal value per share of the Company's share capital was increased from HK\$0.01 to HK\$0.20 and was then reduced to HK\$0.01 and (ii) issued and fully paid share capital was changed from HK\$11,443,000 comprising 1,144,285,012 shares of HK\$0.01 each to HK\$572,000 comprising 57,214,250 shares of HK\$0.01 each. Details of the capital reorganisation are set out in the Group's annual consolidated financial statements for the year ended 31 March 2013.
- (e) After completion of the capital reorganisation as set out in (d) and on 11 January 2013, the Company allotted 286,071,250 ordinary shares of HK\$0.01 each at a subscription price of HK\$0.40 per rights share on the basis of five rights shares for every one then existing share held. The Company raised HK\$113,875,000 (net of expenses) with the intention at the time of rights issue to finance the property investments and serve as general working capital of the Group.
- (f) On 18 February 2013, the Company allotted 68,656,000 ordinary shares of HK\$0.01 each by placing to six placees at a placing price of HK\$0.44 per share. The Company raised HK\$29,906,000 (net of expenses) with the intention at the time of placing to finance the property investments of the Group. The new placing shares were issued pursuant to the general mandate granted to the directors by a resolution of the shareholders of the Company passed at the special general meeting held on 22 January 2013.
- (g) On 19 June 2013, the Company allotted 1,235,824,500 rights shares of HK\$0.01 each at a subscription price of HK\$0.10 per rights share on the basis of three rights shares for every one then existing ordinary share held. The Company raised HK\$122,884,000 (net of expenses) with the intention at the time of rights issue to finance potential property investments and serve as general working capital of the Group.
- (h) On 24 September 2013, the Company allotted 329,540,000 ordinary shares of HK\$0.01 each by placing to not less than six placees at a placing price of HK\$0.063 per share. The Company raised HK\$20,554,000 (net of expenses) with the intention at the time of placing to serve as general working capital of the Group. The new placing shares were issued pursuant to the general mandate granted to the directors by a resolution of the shareholders of the Company passed at the annual general meeting held on 2 August 2013. Further details of this placing of new shares are set out in the Company's announcements dated 11 September 2013 and 24 September 2013.

All shares issued during the six months ended 30 September 2013 and 30 September 2012 rank *pari passu* with the then existing shares in issue in all respects.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 September 2013 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Investments held for trading	100,109	Level 1	Quoted bid prices in an active market

There were no transfers between Levels 1, 2 and 3 in the current interim period.

19. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the period, the Group had the following transactions with a wholly-owned subsidiary of Easyknit International:

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Rental expense	1,248	1,242

Ms. Lui Yuk Chu, a director of the Company, is also one of the beneficiaries under a family trust holding 36.74% (31 March 2013: 36.74%) equity interest in Easyknit International at 30 September 2013. She also holds 21.95% (31 March 2013: 21.95%) equity interest of Easyknit International through an entity wholly-owned by her.

- (b) In January 2011, the Company entered into an employment agreement with Mr. Koon Wing Yee, the spouse of Ms. Lui Yuk Chu, to act as general manager of the Company for a salary of HK\$50,000 per month which is adjusted to HK\$150,000 per month with effect from 1 April 2013. The employment agreement commenced on 21 February 2011 but may be terminated by either party at any time by three months' notice. The remuneration of Mr. Koon Wing Yee as general manager of the Company during the six months ended 30 September 2013 was HK\$908,000 (six months ended 30 September 2012: HK\$307,000) and was included in the "compensation of key management personnel" in (c) below.

(c) Compensation of key management personnel

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

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits		
Salaries and other benefits	2,869	2,246
Contributions to retirement benefit schemes	38	35
	2,907	2,281
	2,907	2,281

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.

20. CAPITAL COMMITMENTS

	30 September	31 March
	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– property, plant and equipment	–	1,399
– investment properties	35,291	3,617
	35,291	5,016
	35,291	5,016

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to 30 September 2013.

As announced by the Company on 3 October 2013, the Company proposed to effect (i) a share consolidation pursuant to which every forty issued and unissued then existing shares of HK\$0.01 each will be consolidated into one consolidated share of HK\$0.40 each (“Consolidated Share”); (ii) the reduction of the nominal value of each issued Consolidated Share from HK\$0.40 to HK\$0.01 by cancelling HK\$0.39 paid up share capital for each Consolidated Share (“Issued Capital Reduction”); (iii) the reduction of the par value of all shares in the authorised share capital of the Company from HK\$0.40 each to HK\$0.01 each, resulting in the reduction of the authorised share capital from HK\$200,000,000 divided into 500,000,000 Consolidated Shares of par value of HK\$0.40 each to HK\$5,000,000 divided into 500,000,000 shares of par value HK\$0.01 each; (iv) the transfer of the credit arising from the Issued Capital Reduction to the contributed surplus account of the Company; and (v) the increase of the authorised share capital of the Company from HK\$5,000,000 divided into 500,000,000 shares of par value of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 shares of par value HK\$0.01 each. The above are collectively referred to the “Capital Reorganisation”.

In addition, the Company proposed, upon completion of the Capital Reorganisation, to raise approximately HK\$148 million (before expenses) by way of the rights issue of 247,163,250 rights shares at a subscription price of HK\$0.60 per rights share on the basis of five rights shares for every one adjusted share of par value of HK\$0.01 each (the “Rights Issue”).

Further details of the Capital Reorganisation and the Rights Issue are set out in the Company’s circular dated 25 October 2013. A special general meeting of the Company was held on 18 November 2013 and the Capital Reorganisation and Rights Issue were approved by the shareholders of the Company. The Capital Reorganisation became effective on 19 November 2013. The Rights Issue is expected to become unconditional on 13 December 2013.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account its present available financial resources, the Group has sufficient working capital for the next 12 months from the date of this circular in the absence of unforeseen circumstances.

5. INDEBTEDNESS

At the close of business on 31 December 2013, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$163.8 million, which were guaranteed by the Company and were secured by certain investment properties of the Group. The bank borrowings comprised bank loans of approximately HK\$163.6 million and interest payable of approximately HK\$0.2 million.

Apart from as disclosed above and intra-group liabilities, the Group did not have at the close of business on 31 December 2013 any debt securities authorised or created but unissued, 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.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the six months period ended 30 September 2013 (the “**Period**”), the Group’s unaudited consolidated profit attributable to shareholders of the Company for the Period was HK\$4,071,000 as compared to a loss of HK\$20,613,000 for the corresponding period in 2012 (“**2012 Period**”). The profit was mainly attributable to a turn from a loss of approximately HK\$45,006,000 to a gain of approximately HK\$6,384,000 on changes in fair value of investment properties. There was no one off gain arising from the discontinued operations as compared with the 2012 Period. Basic earnings per share from continuing and discontinued operations amounted to HK cents 0.32 compared with basic loss per share HK cents 2.46 for 2012 Period.

Looking forward, the global economy continues to face uncertainties. Although the property market and unemployment in the US have shown some improvement, concerns on the US Federal Reserve’s plan to start tapering monetary stimulus have brought turbulence to the global financial market. As for the other major economies, China government has pledged to stabilise growth amid increasing signs of China’s economic slow-down while euro sovereign debt crisis is lingering.

Against a backdrop of challenging operating environment, we will strive to improve our performance of our garment sourcing and export businesses in the second half. We will foster relationship with existing customers and seek new customers; and will continue to streamline operations and optimise efficiency.

The Group remains confident in the prospect for the property market in Hong Kong. Though the introduction of the Residential Properties (First-hand Sales) Ordinance and the launch of various stamp duties have inevitably caused short-term volatility and uncertainty towards the overall residential property market, the underlying housing demand remains strong.

In summary, despite various challenging and uncertainties, the Board is optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefit of the Group and its shareholders as a whole; and continue exploring any investment opportunity in hotel and service apartments, notwithstanding, the Company currently has not identified any specific acquisition target.

7. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2013, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date, save as mentioned below:

- (i) As disclosed in the joint announcement of the Company and EI dated 5 April 2013 and the announcement of the Company dated 21 June 2013, the Company raised approximately HK\$122 million by way of rights issue.
- (ii) As disclosed in the joint announcements of the Company and EI dated 11 September 2013 and 24 September 2013, the Company raised approximately HK\$20 million by way of placing of new Shares under general mandate.
- (iii) As disclosed in the joint announcement of the Company and EI dated 3 October 2013 and the announcement of the Company dated 17 December 2013, the Company raised approximately HK\$146 million by way of rights issue.
- (iv) As disclosed in the interim report of the Company for the six months ended 30 September 2013, the Group recorded a profit for the period attributable to owners of the Company of approximately HK\$4.1 million, as compared to the loss of approximately HK\$20.6 million for the six months ended 30 September 2012. Such improvement in results was mainly attributable to a turn from loss to gain on changes in fair value of investment properties.

There has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Subscriber and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Subscriber and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DIRECTORS

Particulars of Directors

Name**Address****Executive Directors**

Kwong Jimmy Cheung Tim

Flat F, 25th Floor
Block 5, Hanford Garden
333 Castle Peak Road
Castle Peak Bay
Tuen Mun
New Territories
Hong Kong

Lui Yuk Chu

No. 7, Braga Circuit
Kowloon
Hong Kong

Name	Address
Koon Ho Yan Candy	No. 7, Braga Circuit Kowloon Hong Kong
Non-executive Directors	
Tse Wing Chiu Ricky	House D6 Flamingo Garden No. 7, Fei Wan Road Fei Ngo Shan New Territories Hong Kong
Lai Law Kau	Flat A, 20/F One Victory Avenue Ho Man Tin Kowloon 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 71, is an executive Director, chairman, and chief executive officer and authorised representative of the Company and chairman of the Executive Committee. He is also an executive director, president, chief executive officer and authorised representative, and chairman of the Executive Committee of EI. 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 serves as director of various subsidiaries of the Company and EI. 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. In December 2007, Mr. Kwong was appointed as chairman and chief executive officer of the Company.

Ms. Lui Yuk Chu (Deputy Chairman)

Ms. Lui, aged 55, is an executive Director and deputy chairman of the Company and a member of the Executive Committee. She is also an executive director and vice president, and a member of the Executive Committee of EI. Ms. Lui has been involved in the textiles industry for a number of years and has experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and EI. Ms. Lui was appointed to the Board as an executive Director in 2003 and was appointed as deputy chairman in 2006. She is the mother of Ms. Koon Ho Yan Candy, an executive Director of the Company.

Ms. Koon Ho Yan Candy

Ms. Koon, aged 28, is an executive Director and authorized representative of the Company and a member of the Executive Committee since 2010. She graduated from the University of Durham, England in 2007 with a Bachelor of Arts degree in Economics and Politics. She also received her Bachelor of Laws degree and Legal Practice Course qualification in 2009 from the College of Law, England. Ms. Koon is also an executive director, authorized representative and a member of the executive committee of EI. Ms. Koon is the daughter of Ms. Lui Yuk Chu, the deputy chairman of the Company.

Non-executive Directors***Mr. Tse Wing Chiu Ricky***

Mr. Tse, aged 55, is a non-executive Director of the Company. He is also a non-executive director of EI. Mr. Tse obtained a Master's Degree in Business Administration from Adam Smith University of America in the United States in 1996. He has many years of experience in garment manufacturing and merchandising. Mr. Tse was appointed to the Board as an executive Director and vice chairman in 2005, and was subsequently re-designated from vice chairman to chairman and appointed as chief executive officer in 2006. In 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.

Mr. Lai Law Kau

Mr. Lai, aged 52, is a non-executive Director of the Company since December 2013. He has been involved in the textiles industry over 20 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. He is also a non-executive director of EI. Mr. Lai is a paternal brother-in-law of Ms. Lui Yuk Chu, the deputy chairman of the Company, and he is also an uncle of Ms. Koon Ho Yan Candy, executive Director.

Independent Non-executive Directors***Mr. Kan Ka Hon***

Mr. Kan, aged 61, is an independent non-executive Director of the Company since 2003. He is also a member and chairman of Audit Committee, a member of Remuneration Committee and Nomination Committee. 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 many years of experience in accounting and finance. Mr. Kan is also an independent non-executive director of Victory City International Holdings Limited (stock code: 0539).

Mr. Lau Sin Ming

Mr. Lau, aged 52, is an independent non-executive Director of the Company since 2004. He is also a member and chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee. 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 many years of experience in accounting and auditing and is now practising in his own name as certified public accountant.

Mr. Foo Tak Ching

Mr. Foo, aged 79, is an independent non-executive Director of the Company since 2007. He is also a member and chairman of Nomination Committee, a member of Audit Committee and Remuneration Committee. He is currently a Partner of Messrs. Liu, Choi & Chan, a firm of solicitors and notaries in Hong Kong and has been practicing 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.

3. CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business	Block A, 7th Floor Hong Kong Spinners Building, Phase 6 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company secretary	Lee Po Wing (<i>LL.B.</i>)
Authorised representatives	Kwong Jimmy Cheung Tim Koon Ho Yan Candy
Legal advisers to the Company	<i>As to Hong Kong law:</i> David Norman & Co. 22B Man On Commercial Building 12-13 Jubilee Street Central Hong Kong <i>As to Bermuda law:</i> Appleby 2206-19 Jardine House 1 Connaught Place, Central Hong Kong
Auditor	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 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	Butterfield Fulcrum Group (Bermuda) Limited 26 Burnaby 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
	Wing Hang Bank 161 Queen's Road Central Hong Kong

4. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after date of issue of 147,058,823 Conversion Shares upon full exercise of the Conversion Rights at the initial Conversion Price are expected to be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares	<u>200,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>296,595,900</u>	Shares in issue as at the Latest Practicable Date	<u>2,965,959.00</u>
<u>147,058,823</u>	Conversion Shares to be allotted and issued	<u>1,470,588.23</u>
<u>443,654,723</u>	Shares immediately upon the exercise of the Conversion Rights attaching to the Convertible Note in full	<u>4,436,547.23</u>

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 Conversion Shares to be issued pursuant to the Subscription Agreement, when allotted, issued and fully-paid or credited as fully-paid, will rank *pari passu* in all respects with the Shares then in issue including as to the right to receive future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Conversion Shares. The Conversion Shares will be listed and traded on the Stock Exchange.

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 the Convertible Notes or any other securities of the Company to be listed or dealt in on any other stock exchange.

With the exception of (i) issuance of 30,895,613 Shares (adjusted for share consolidation on 18 November 2013) on 19 June 2013 pursuant to the rights issue announced on 5 April 2013; (ii) issuance of 8,238,500 Shares (adjusted for share consolidation on 18 November 2013) on 24 September 2013 pursuant to the placing agreement dated 11 September 2013; and (iii) issuance of 247,163,250 Shares on 13 December 2013 pursuant to the rights issue announced on 3 October 2013, no Shares have been issued since 31 March 2013, being the date on which the latest audited financial statements of the Group were made up.

No alteration in the capital of any member of the Group since 31 March 2013, being the date on which the latest audited financial statements of the Group were made up.

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.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

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

5. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last trading day of each of the six months immediately preceding the date of Joint Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price of Shares HK\$
31 July 2013	1.033
30 August 2013	0.960
30 September 2013	0.927
31 October 2013	0.880
29 November 2013	0.810
31 December 2013	0.570
30 January 2014	0.590
Last Trading Day	0.590
Latest Practicable Date	0.640

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing on 17 July 2013 (being the six months immediately prior to the date of the Joint Announcement) and ending on the Latest Practicable Date were HK\$1.093 and HK\$0.510 per Share respectively.

6. DISCLOSURE OF INTERESTS

(a) Directors' interest in Shares

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

Name of Director	Capacity	Number of ordinary Shares held (long position)	Approximate percentage of interest
Ms. Lui Yuk Chu	Beneficiary of a trust (<i>note i</i>)	254,640,497	85.85%
Ms. Koon Ho Yan Candy	Beneficiary of a trust (<i>note ii</i>)	254,640,497	85.85%

Notes:

- (i) These Shares are respectively registered in the name of and are beneficially owned by Landmark Profits and Goodco, both are wholly-owned subsidiaries of EI. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of EI and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits Limited (“**Magical Profits**”) is interested in approximately 36.74% of the issued share capital of EI. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is 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).
- (ii) Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were

required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

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

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate Percentage of interest
Koon Wing Yee	<i>i</i>	Interest of spouse	254,640,497	85.85%
Landmark Profits	<i>i & ii</i>	Beneficial owner	47,140,104	15.89%
Goodco	<i>i & ii</i>	Beneficial owner	207,500,393	69.96%
EI	<i>i & ii</i>	Interest of controlled corporation	254,640,497	85.85%
Magical Profits	<i>i & iii</i>	Interest of controlled corporation	254,640,497	85.85%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	254,640,497	85.85%
Hang Seng Bank Trustee International Limited	<i>i & iv</i>	Trustee	254,640,497	85.85%
Hang Seng Bank Limited	<i>iv</i>	Interest of controlled corporation	254,640,497	85.85%
The Hongkong & Shanghai Banking Corporation Limited	<i>iv</i>	Interest of controlled corporation	254,640,497	85.85%
HSBC Asia Holdings BV	<i>iv</i>	Interest of controlled corporation	254,640,497	85.85%

Name of Shareholder	Note	Capacity	Number of ordinary Shares held (long position)	Approximate Percentage of interest
HSBC Asia Holdings (UK) Limited	<i>iv</i>	Interest of controlled corporation	254,640,497	85.85%
HSBC Holdings BV	<i>iv</i>	Interest of controlled corporation	254,640,497	85.85%
HSBC Finance (Netherlands)	<i>iv</i>	Interest of controlled corporation	254,640,497	85.85%
HSBC Holdings plc	<i>iv</i>	Interest of controlled corporation	254,640,497	85.85%

Notes:

- (i) The 254,640,497 Shares related to the same block of shares in the Company of which 47,140,104 Shares and 207,500,393 Shares are respectively registered in the name of and are beneficially owned by Landmark Profits and Goodco, both are the wholly-owned subsidiaries of EI. Sea Rejoice Limited is interested in approximately 21.95% of the issued share capital of EI and it is wholly-owned by Ms. Lui Yuk Chu. Magical Profits is interested in approximately 36.74% of the issued share capital of EI. Magical Profits is wholly-owned by Accumulate More Profits Limited which in turn is 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 of the Company, and her family members other than her spouse). Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, is deemed to be interested in the Shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 254,640,497 Shares by virtue of the SFO.
- (ii) Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu, being directors of the Company, are also directors of Landmark Profits, Goodco and EI. Ms. Koon Ho Yan Candy, being a director of the Company, is also a director of EI.
- (iii) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Sea Rejoice Limited and Magical Profits.
- (iv) Hang Seng Bank Trustee International Limited is a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited is owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is wholly-owned by HSBC Asia Holdings BV which is a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is wholly-owned by HSBC Holdings BV which in turn is wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) is a wholly-owned subsidiary of HSBC Holdings plc.

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

7. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

As at the Latest Practicable Date,

- (a) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any parties acting in concert with it and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to the Subscriber or any parties acting in concert with it under the Subscription or as a result of any obligation under the Subscription Agreement.
- (b) save as disclosed in the section headed “The Whitewash Waiver” in the letter from the Board of this circular, none of the Subscriber and parties acting in concert with it held, owned or controlled any other Shares, convertible securities, warrants, options or derivatives of the Company. In addition, save for the Subscription, none of the Subscriber and parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning 6 months prior to 16 January 2014 (being the date of the Joint Announcement) and ending on the Latest Practicable Date.
- (c) save as disclosed in the section headed “The Whitewash Waiver” in the letter from the Board of this circular, none of the directors of the Subscriber was interested in any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the directors of the Subscriber has dealt in any shares, convertible securities, warrants, options or derivatives of the Company during the period beginning 6 months prior to 16 January 2014 (being the date of the Joint Announcement) and ending on the Latest Practicable Date.
- (d) no person had irrevocably committed themselves to vote for or against the resolution to be proposed at the SGM to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver.
- (e) the Subscriber or parties acting in concert with it did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons.
- (f) none of the Subscriber and parties acting in concert with it has borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Shares to any person.
- (g) save as disclosed in the paragraph headed “Disclosures of Interests” in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning 6 months prior to 16 January 2014 (being the date of the Joint Announcement) and ending on the Latest Practicable Date.

- (h) none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of the Subscriber or similar rights which are convertible or exchangeable into shares of the Subscriber. None of them has dealt for value in any shares, convertible securities, warrants, options or derivatives of the Subscriber during the period beginning 6 months prior to 16 January 2014 (being the date of the Joint Announcement) and ending on the Latest Practicable Date.
- (i) save for the Shares held and dealt for the accounts of the respective nondiscretionary clients by the brokerage division of a fellow subsidiary of Altus Capital Limited, the financial adviser to the Company, none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company, and none of them had dealt for value in any securities of the Company beginning on 16 January 2014 (being the date of the Joint Announcement) and ending on the Latest Practicable Date.
- (j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code and none of them had dealt for value in any securities of the Company for the period beginning on 16 January 2014 (being the date of the Joint Announcement) and ending on the Latest Practicable Date.
- (k) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, nor had any such fund managers dealt for value in any securities of the Company for the period beginning on 16 January 2014 (being the date of the Joint Announcement) and ending on the Latest Practicable Date.
- (l) none of the Company nor any Directors has borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Shares.
- (m) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver.
- (n) there was no agreement, arrangement or understanding (including any compensation arrangement) (i) between the Subscriber or any parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver;

and (ii) between any Directors and any other persons which is conditional on or dependent upon the outcome of the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares) and the Whitewash Waiver.

- (o) there was no material contract entered into by the Subscriber or any parties acting in concert with it in which any Directors has a material personal interest.

8. DIRECTORS' SERVICE CONTRACTS

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

As at the Latest Practicable Date, there are no service contracts with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) have been entered into or amended within six months before 16 January 2014, being the date of the Joint Announcement; (ii) which are continuous contracts with a notice period of 12 months; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business carried on as intended to be carried on by the Group, were entered into by the Group within two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date which are or may be material:

- (a) the placing agreement dated 30 May 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 97,470,000 new shares of the Company at a placing price of HK\$0.141 per share;
- (b) the placing agreement dated 18 July 2012 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 114,700,000 new shares of the Company at a placing price of HK\$0.106 per share;
- (c) the underwriting agreement dated 15 August 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, to underwrite 381,428,337 rights shares of the Company at a subscription price of HK\$0.077 per rights share;
- (d) a tenancy agreement dated 12 September 2012 entered into between Easyknit Worldwide Company Limited, a wholly-owned subsidiary of the Company, as tenant and Wellmake Investments Limited, an indirect wholly-owned subsidiary of E1, as landlord in respect of the lease of the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for 3 years at a monthly rental at HK\$208,000;

- (e) the underwriting agreement dated 11 October 2012 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the rights issue of 286,071,250 rights shares at the subscription price of HK\$0.40 per rights share;
- (f) the placing agreement dated 28 January 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 68,656,000 new shares of the Company at a placing price of HK\$0.44 per share;
- (g) the underwriting agreement dated 5 April 2013 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 1,235,824,500 rights shares at the subscription price of HK\$0.10 per rights share;
- (h) the placing agreement dated 11 September 2013 entered into between the Company and Kingston Securities Limited, as the placing agent, to place 329,540,000 new shares of the Company at a placing price of HK\$0.063 per share;
- (i) the underwriting agreement dated 3 October 2013 entered into between the Company and Kingston Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of a rights issue of 247,163,250 rights shares at the subscription price of HK\$0.60 per rights share; and
- (j) the Subscription Agreement.

10. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited accounts of the Group 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.

11. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

12. LITIGATION

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

13. EXPERTS AND CONSENTS

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

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Types 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Messis Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

- (a) any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

14. GENERAL

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994 with extensive experience in legal field;
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong;
- (d) As at the Latest Practicable Date, the Board consisted of Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors, Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau as non-executive directors and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching as independent non-executive directors.

- (e) The directors of the Subscriber are Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu. The directors of EI are Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu, Ms. Koon Ho Yan Candy, Mr. Tse Wing Chiu Ricky, Mr. Lai Law Kau, Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun.
- (f) The correspondence and registered address of the Subscriber is Block A, 7/F., Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong and OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands respectively.
- (g) The English text of this circular prevails over the Chinese text.

15. EXPENSES

The expenses in relation to the issue of the Convertible Notes (including printing and documentation charges) are estimated to be approximately HK\$1.3 million and will be payable by the Company.

16. 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 Block A, 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 circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of the Subscriber;
- (c) the annual reports of the Company containing audited consolidated financial statements of the Company for the three years ended 31 March 2011, 2012 and 2013;
- (d) the interim report of the Company for the six months ended 30 September 2013;
- (e) the letter from the Board to the Shareholders, the text of which is set out on pages 5 to 22 of this circular;
- (f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 23 of this circular;
- (g) the letter from Messis Capital, the text of which is set out on pages 24 to 52 of this circular;
- (h) the written consent of Messis Capital referred to in the paragraph headed "Experts and Consents" in this appendix;
- (i) the written consent of Altus Capital Limited referred to in the paragraph headed "Experts and Consents" in this appendix;

- (j) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (k) a copy of each circular issued pursuant to the requirement set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts; and
- (l) this circular.

NOTICE OF SPECIAL GENERAL MEETING



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 0616)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**Meeting**”) of Easyknit Enterprises Holdings Limited (永義實業集團有限公司) (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Friday, 7 March 2014, at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the subscription agreement dated 16 January 2014 entered into between the Company and Goodco Development Limited (the “**Subscriber**”) (a copy of which is produced to the Meeting marked “A” and signed by the chairman of the Meeting for identification purposes) in relation to the subscription of the convertible note in an aggregate principal amount of HK\$100,000,000 (the “**Convertible Note**”) to be issued by the Company and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;
- (b) conditional upon the listing committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, the Conversion Shares (as defined below), the directors of the Company (the “**Directors**”) be and are hereby authorized to: (i) issue the Convertible Note to the Subscriber; and (ii) allot and issue such ordinary shares of HK\$0.01 each in the share capital of the Company which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Note (the “**Conversion Shares**”) on the terms and subject to the conditions of the Convertible Note;
- (c) the waiver granted or to be granted by the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any of his delegates) pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) in respect of the obligations of the Subscriber and parties acting in concert with it (including but not limited to Easyknit International Holdings Limited and Landmark Profits Limited) to make a mandatory general offer for all the securities of the Company other than

* for identification only

NOTICE OF SPECIAL GENERAL MEETING

those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issue of the Conversion Shares be and is hereby approved; and

- (d) the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Subscription Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 20 February 2014

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

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

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.