EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永 義 國 際 集 團 有 限 公 司

(Stock Code : 1218)

ANNUAL REPORT

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CONTENTS

BOARD OF DIRECTORS

Executive Directors
Mr. Kwong Jimmy Cheung Tim
(President and Chief Executive Officer)
Ms. Lui Yuk Chu *(Vice President)*

Non-Executive Director
Mr. Tse WIng Chiu, Ricky

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

AUDIT COMMITTEE

Mr. Tsui Chun Kong *(Chairman)*
Mr. Jong Koon Sang
Mr. Hon Tam Chun

REMUNERATION COMMITTEE

Mr. Jong Koon Sang *(Chairman)*
Mr. Tsui Chun Kong
Mr. Hon Tam Chun

EXECUTIVE COMMITTEE

Mr. Kwong Jimmy Cheung Tim *(Chairman)*
Ms. Lui Yuk Chu

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Chan Po Cheung

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

As to Hong Kong law:
Richards Butler

As to Bermuda law:
Appleby

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong & Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Sheet
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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
65 Front Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

1218

On behalf of the board of directors (the "Board") of Easyknit International Holdings Limited (the "Company"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2009.

FINANCIAL RESULTS

For the year ended 31 March 2009, the Group recorded a turnover of approximately HK$458,068,000 (2008: approximately HK$521,339,000), representing a decrease of approximately 12.1% from last year. Gross profit decreased approximately 13.4% to approximately HK$84,156,000 (2008: approximately HK$97,198,000). Gross profit margin slightly decrease at approximately 18.4% (2008: approximately 18.6%).

Loss attributable to shareholders was approximately HK$101,384,000 as compared to profit attributable to shareholders of approximately HK$64,336,000 last year. Such loss was mainly attributable to (i) a decrease in sales of the garment sourcing and exporting business due to the slowdown in the economy of the United States, the major market of the Group; (ii) the loss arising on changes in fair value of investment properties of approximately HK$21,760,000 and the impairment loss on property held for development of approximately HK$25,632,000; (iii) the loss due to the fair value changes of investments held for trading of approximately HK$60,408,000; and (iv) the increase in share of loss of associates. Basic loss per share was approximately HK$0.128 (2008: basic earnings per share of approximately HK$0.081).

Cost of sales decreased by approximately 11.8% to approximately HK$373,912,000 (2008: approximately HK$424,141,000). The total operating expenses slightly increased by approximately 3.3% to approximately HK$59,093,000 (2008: approximately HK$57,207,000).

Finance costs increased to approximately HK$91,000 (2008: approximately HK$10,000) during the year under review.

BUSINESS REVIEW

During the year ended 31 March 2009, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment and development.

Garment sourcing and exporting

During the year under review, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.3% to the Group's total turnover, representing a drop of approximately 0.3% as compared to that of last year (2008: approximately 93.6%). Turnover from this segment decreased by approximately 12.4% to approximately HK$427,428,000 (2008: approximately HK$487,806,000). This segment recorded a profit of approximately HK$11,788,000, a decrease of approximately 51.2% from last year's profit of approximately HK$24,133,000. The product mix of infant wear and ladies wear changed from 35 : 45 for the year ended 31 March 2008 to 37 : 43 for the year under review.

Property investment and development

For the year ended 31 March 2009, the property investment and development segments contributed approximately HK$30,640,000 or 6.7% (2008: approximately HK$33,533,000 or 6.4%) to the Group's total turnover. These segments suffered a loss of approximately HK$20,792,000 (2008: profit of approximately HK$79,575,000) principally due to loss arising on changes in fair value of investment properties of approximately HK$21,760,000 (2008: gain of approximately HK$52,928,000) and impairment loss made on properties held for development of approximately HK$25,632,000 (2008: nil). Rental income from investment properties, which are all located in Hong Kong, increased slightly to approximately HK$28,166,000 (2008: approximately HK$27,164,000). As at 31 March 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 89.6%. The building management fee income was approximately HK$286,000 (2008: approximately HK$289,000).

The Group completed the acquisition of 11 out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) ("Prince Edward Road Building") in October 2008. The Group also entered into a sale and purchase agreement to purchase the remaining one unit of the Prince Edward Road Building on 30 June 2009 so as to be the owner of the whole building for re-development purpose. Details are set out in the sections headed "Material Acquisitions and Disposals" and "Subsequent Events" respectively. These acquisitions enable the Group to expand its property investment portfolio and provide the Group with further potential income from property development.

As at 31 March 2009, the Group's entire property portfolio stood over approximately HK$825,124,000 (as at 31 March 2008: approximately HK$747,089,000).

Geographical analysis of turnover

Approximately 83.0% (2008: approximately 83.6%) of the Group's total turnover was generated out of the United States of America (the "US") which is the Group's major export market, while Hong Kong, European and Mexican markets accounted for approximately 6.8%, 7.5% and 2.7% of the Group's total turnover respectively.

PROSPECTS

Garment sourcing and exporting

The economic slowdown caused the garment industries in the US and Europe to shrink drastically. The Group anticipates that the garment sourcing and export industry will continue to face stern challenges as the business environment is still shadowed by various uncertainties.

Recognising the challenges ahead in the garment sourcing and export industry, the Group maintains a cautious yet hopeful view towards the future development of the industry. The Group will concentrate its efforts on maintaining good customer relationship with existing clients, sharpening its competitive edges, as well as exploring other possible overseas markets in the hope of broadening the Group's sales network for the Group in the coming year. More stringent cost-control measures and flexible pricing strategy will also be implemented to maximise profit for the Group.

Property investment and development

The local property market seemed to improve in the previous months. Looking ahead, the Group believes that the local property market will be undergoing a period of modulation and consolidation, and the directors of the Company hold a watchfully positive attitude towards the property market.

Although the demand for offices in Hong Kong has plunged after the global financial crisis, other industrial and commercial properties still secure support from users and investors as retailers fight for the limited space available in prime shopping areas. The Group is vigilantly observing market sentiment for the re-development of properties in its portfolio when suitable opportunities arise. The Group will also be on the lookout for properties with high re-development potential and seek rewarding investment opportunities to strive for the greatest return to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2009, the Group financed its operations mainly by internally generated resources. As at 31 March 2009, the shareholders' fund of the Group was approximately HK$1,365,184,000 (31 March 2008: approximately HK$1,469,529,000). As the Group had no bank borrowings as at 31 March 2009 and 2008, gearing ratio of the Group is zero for two consecutive years.

The Group continued to sustain a good liquidity position. As at 31 March 2009, the Group had net current assets of approximately HK$572,613,000 (31 March 2008: approximately HK$733,010,000), and cash and cash equivalents of approximately HK$165,147,000 (31 March 2008: approximately HK$281,315,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars. As at 31 March 2009, the current ratio of the Group was approximately 9.9 (31 March 2008: approximately 11.8), which was calculated on the basis of current assets of approximately HK$636,645,000 (31 March 2008: approximately HK$801,036,000) to current liabilities of approximately HK$64,032,000 (31 March 2008: approximately HK$68,026,000). During the year under review, the Group serviced its debts through internally generated resources.

The directors believe that the Group has sufficient financial resources for its operations. The Group will remain cautious in the Group's liquidity management.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

CAPITAL STRUCTURE

The Group has no debt securities or other capital instruments as at 31 March 2009 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, the Group acquired the entire issued share capital of a Company called Trump Elegant Investment Limited ("Trump Elegant"). Through the acquisition of Trump Elegant, the Group acquired 11 out of 12 units in Prince Edward Road Building for an aggregate consideration of approximately HK$117,231,000 (including direct costs). The acquisition of the 11 out of 12 units in Prince Edward Road Building constituted a major transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). It was approved by the shareholders of the Company at a special general meeting held on 25 August 2008. Details of this major transaction are set out in the Company's circular dated 8 August 2008.

As announced by the Company and Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), an associate of the Company, on 12 November 2008, Easyknit Enterprises proposed to raise approximately HK$100 million before expenses by way of rights issue of 667,499,000 rights shares at a price of HK$0.15 per rights share on the basis of ten rights shares for every share held. The Group had irrevocably undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among other, the rights shares allotted to the Group would be taken up in full. The subscription cost amounted to approximately HK$31.7 million based on the Group's then shareholding in Easyknit Enterprises. The Group did not apply for any excess rights shares. The said undertaking to subscribe for the rights shares in Easyknit Enterprises was approved by the shareholders of the Company at the special general meeting held on 24 December 2008. Thus 211,627,870 rights shares of Easyknit Enterprises were allotted to the Group on 19 January 2009.

Save as disclosed above, the Group had no material acquisitions or disposal of subsidiaries or associates during the year under review.

CHARGES ON GROUP ASSETS

As at 31 March 2009, certain investment properties of the Group with carrying amount of approximately HK$48,900,000 (31 March 2008: certain investment properties of the Group with carrying amounts of approximately HK$138,500,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the year ended 31 March 2009, the Group spent approximately HK$147,000 (2008: approximately HK$206,000) on acquisition of property, plant and equipment.

As at 31 March 2009, the Group had no capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2009, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK$9,683,000 (31 March 2008: approximately HK$3,566,000) were supported by the Company's corporate guarantees given to the bank.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2009.

SIGNIFICANT INVESTMENT

As at 31 March 2009, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK$33,891,000 (31 March 2008 approximately HK$79,812,000) and investments held for trading of approximately HK$93,420,000 (31 March 2008: approximately HK$139,033,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the year under review, the Group recorded loss on fair value changes of investments held for trading of approximately HK$60,408,000 (2008: loss of approximately HK$9,690,000), gain on disposal of available-for-sale investments of approximately HK$3,803,000 (2008: loss of approximately HK$7,594,000) and impairment loss on available-for-sale investments of approximately HK$32,162,000 (2008: loss of approximately HK$33,163,000).

On 16 April 2008, the Group acquired on the Stock Exchange 12,000,000 shares of Sino Union Petroleum & Chemical International Limited ("Sinounion Petro") at a total consideration of HK$21,573,600 (exclusive of transaction costs).

The Group disposed on the market of 1,600,000 and 607,000 China CITIC Bank Corporation Limited H shares on 11 June 2008 and 16 June 2008 respectively at the aggregate gross sale proceeds of HK$10,892,720 (exclusive of transaction costs). On 18 June 2008, the Group disposed of 2,298,000 Industrial and Commercial Bank of China Limited ("ICBC") H shares on the market at the aggregate gross proceeds of HK$12,706,880 (exclusive of transaction costs).

On 9 December 2008, the Group further disposed of 1,000,000 ICBC H shares on the market at the aggregate gross proceeds of HK$4,310,000 (exclusive of transaction costs).

Save as disclosed above and the acquisition of Trump Elegant as mentioned in the section of "Material Acquisitions and Disposals", the Group did not have any significant investment held or any significant investment plans as at 31 March 2009.

FUTURE PLAN FOR MATERIAL INVESTMENTS

While the directors of the Company are constantly looking for investment opportunities in order to maximise shareholders' value, no other concrete new investment projects have been identified save as disclosed above.

SUBSEQUENT EVENTS

As announced by the Company on 24 June 2009, the Group disposed of its entire holdings of Sinounion Petro shares on the market comprising 11,100,000 shares on 16 June 2009, 4,250,000 shares on 22 June 2009 and 14,530,000 shares on 23 June 2009 respectively for the aggregate gross sale proceeds of HK$26,094,900 (exclusive of transaction costs).

As announced by the Company on 3 July 2009, the Group entered into a sale and purchase agreement dated 30 June 2009 with an independent third party to acquire the remaining one unit being Flat 3 on the Ground Floor of the Prince Edward Road Building at a consideration of HK$9,500,000. Upon completion of the acquisition, the Group will be the owner of the whole Prince Edward Road Building.

The Company has announced on 15 July 2009 that its wholly-owned subsidiary had received and accepted an offer from the Urban Renewal Authority to purchase the Group's property located at No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK$47,113,000 plus an allowance of HK$4,711,000. As the said proposed disposal of property constitutes a major transaction of the Company under the Listing Rules, a special general meeting will be convened in due course to seek the shareholders' approval.

The Company also announced on 17 July 2009 that Easyknit Properties, a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement dated 14 July 2009 to acquire the entire issued share capital of Kingbest Capital Holdings Limited ("Kingbest") for a total consideration of HK$2,440,000 in cash upon completion. Under the agreement, Easyknit Properties had also agreed to advance a loan to Kingbest up to an aggregate amount of HK$7,410,000. The loan is personally guaranteed by the seller, Mr. Ng Kwai Tung. The acquisition of Kingbest will enable the Group to acquire all of the units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2928 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong). The building is adjacent to the Prince Edward Road Building which the Group had acquired from the same seller Mr. Ng Kwai Tung in June 2008. The directors intend that both buildings will be redeveloped together. This acquisition when aggregated with the acquisition of Prince Edward Road Building constitute a very substantial acquisition under the Listing Rules, a special general meeting of the Company will be convened in due course to seek the shareholders' approval.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2009, the number of employees of the Group in Hong Kong and the US was about 60 and 10 respectively. Staff costs (including directors' emoluments) amounted to approximately HK$27,910,000 for the year under review (2008: approximately HK$29,198,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our staff and fellow directors for their contribution to the Group's development and cordial thanks to the continuing support of our customers, suppliers, business associates and shareholders.

Kwong Jimmy Cheung Tim
President and Chief Executive Officer

Hong Kong, 20 July 2009

EXECUTIVE DIRECTORS

Mr. Kwong Jimmy Cheung Tim *President and Chief Executive Officer*

Mr. Kwong, aged 66, is an executive director, President, Chief Executive Officer and authorised representative of the Company and a member and Chairman of the Executive Committee of the Board. He is also an executive director, Chairman, Chief Executive Officer and authorised representative, and a member and Chairman of the Executive Committee of the board of directors of Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"). Mr. Kwong was graduated from The University of Hong Kong in 1965 and was admitted as Barrister-at-law in the United Kingdom in 1970 and Hong Kong in 1973 respectively. He has over 30 years of experience in the legal field. He serves as director of various subsidiaries of the Company and Easyknit Enterprises. Mr. Kwong was appointed to the Board in April 2007. On 18 December 2007, Mr. Kwong was appointed as President and Chief Executive Officer.

Ms. Lui Yuk Chu *Vice President*

Ms. Lui, aged 51, is a co-founder of the Group, an executive director and Vice President of the Company and a member of the Executive Committee of the Board. She is also an executive director and Deputy Chairman, and a member of the Executive Committee of the board of directors of Easyknit Enterprises. Ms. Lui has been involved in the textiles industry for over 30 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit Enterprises. Ms. Lui was appointed to the Board in September 1994. On 20 January 2006, Ms. Lui was appointed as Vice President. Ms. Lui is the wife of Mr. Koon Wing Yee, the co-founder of the Group and substantial shareholder of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Tse Wing Chiu, Ricky

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsui Chun Kong

Mr. Tsui, aged 58, is a member and Chairman of the Audit Committee of the Board and a member of the Remuneration Committee of the Board. He obtained a Master's Degree in Business Administration from the Oklahoma City University in the US in 1991 and is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Tsui has over 36 years of experience in the public accounting profession and the commercial sector, especially the travel industry. He has experience in the preparation for the listing of shares on the Stock Exchange and worked for a few listed companies. Mr. Tsui is now practising as a public accountant under his own name. Mr. Tsui was appointed to the Board in September 2004.

Mr. Jong Koon Sang

Mr. Jong, aged 60, is a member and Chairman of the Remuneration Committee of the Board and a member of the Audit Committee of the Board. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of International Accountants, England. He is also a fellow member of the Chartered Management Institute, England and an associate member of The Taxation Institute of Hong Kong. Mr. Jong is currently the Vice President of The Association of International Accountants, Hong Kong Branch, the accountant ambassador of The Hong Kong Institute of Certified Public Accountants and Honorary Vice President of Accounting Student Society of Hong Kong University of Science and Technology. He is also a director of Hong Kong Cheshire Home Foundation and a member of Hospital Governing Committee (HGC) of Cheshire Home Shatin. Mr. Jong has over 40 years of management experience in the financial, industrial and property business. From 1980 to 1988, Mr. Jong was the controller of Hong Kong Operations of Swire Magnetics Limited, which was a wholly-owned subsidiary of Swire Pacific Limited. He was also the finance manager of Wo Kee Hong Holdings Limited between 1995 to 1996. Mr. Jong migrated to New Zealand in November 1996. He was the financial controller of Formosa Auckland Country Club from 1997 to 1998 and the centre manager of Milford and Birkenhead Shopping Centres, Auckland, New Zealand from 1998 until March 2003, when he returned to Hong Kong. Mr. Jong is currently the chief executive officer of Refractory Metals Mining Company Limited which is a company trading in ores from Africa. Mr. Jong was appointed to the Board in January 2005.

Mr. Hon Tam Chun

Mr. Hon, aged 74, is a member of the Audit Committee and Remuneration Committee of the Board. Mr. Hon is a retired Magistrate and Barrister. He had been in service with the Hong Kong Government for more than 38 years. During 1969 to 1973, Mr. Hon was a Crown Counsel in the Legal Department of the Hong Kong Government. He was a Judicial Officer in Judiciary from 1975 to 1995 when he retired. Mr. Hon was appointed to the Board in August 2008.

SENIOR MANAGEMENT

Mr. Chan Po Cheung *Chief Financial Officer and Company Secretary*

Mr. Chan, aged 52, joined the Group in December 2005. He is the Chief Financial Officer, Company Secretary and authorised representative of the Company. Mr. Chan is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He has over 20 years of experience in the accountancy field.

Mr. Leung Chak Man *General Manager – Property Division*

Mr. Leung, aged 55, joined the Group in August 2006. He is responsible for the Group's property development and construction management. Mr. Leung is a fellow member of both the Royal Institution of Chartered Surveyors (Building Surveying Division) and the Chartered Institute of Building, and a Registered Professional Engineer in Hong Kong. Mr. Leung has over 27 years of experience in the property development and construction management field.

Miss Leung Siu Mei *Assistant General Manager*

Miss Leung, aged 49, joined the Group in 1992 and was promoted to her current position in 1994. She is responsible for the Group's financial and administration management.

Miss Ho Yuen Yi *Assistant General Manager*

Miss Ho, aged 53, joined the Group in 2005. She is responsible for the Group's merchandising, shipping and quality control.

Mr. Chan Chung Shun *Property Manager*

Mr. Chan, aged 53, joined the Group in 1998. He is responsible for the Group's property management. Mr. Chan obtained the honour degree of Bachelor of Arts from the University of Middlesex in England in 1983.

The board of directors of the Company (the "Board") is committed to achieving high standards of corporate governance by emphasising transparency, independence, accountability, responsibility and fairness. The Board strives to ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company and to enhance long-term shareholders' value.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") announced a number of amendments to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange which took effect on 1 January 2009 and 1 April 2009. Amongst other things, the Stock Exchange has introduced certain new or revised provisions incorporated into the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules. In the light of the said changes, the Company had conducted a review on the Code to ensure continuous compliance.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2009, the Company has applied the principles of, and complied with, all the code provisions of the Code except for the following deviations. Nevertheless, none of the remaining deviations are considered by the Board to be material or inappropriate given the size, nature and circumstances of the Group.

Code provision A.2.1

Mr. Kwong Jimmy Cheung Tim is the President and Chief Executive Officer of the Company. The Board considers that the combination of the roles of President and Chief Executive Officer will not impair the balance of power and authority between the Board and the management of the Company as the Board will meet regularly to consider major matters affecting the operations of the Group. The Board is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently. As such, it is beneficial to the business prospects of the Group.

Code provision A.4.1

All the non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation no later than the third annual general meeting after they were last elected or re-elected pursuant to the Bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Stock Exchange had effected the amendments to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules on 1 January 2009 and 1 April 2009 respectively. The two major amendments to the Model Code include a listed issuer should respond to a director's request to deal within 5 business days and the dealing must take place (if he chooses) within 5 business days once the clearance is given; and the black out periods during which the director is prohibited from dealing commence 60 days immediately preceding the publication of the annual results and 30 days immediately preceding the publication of the interim results.

The Company has adopted the amended Model Code as its own code of conduct in relation to directors' securities transactions. All directors of the Company have confirmed, following specific enquiry made by the Company, that they complied with the required standard set out in the Model Code throughout the year ended 31 March 2009.

Relevant employees who are likely to be in possession of unpublished price sensitive information of the Group are also subject to similar compliance.

BOARD OF DIRECTORS

The Board currently comprises six directors, with two executive directors, one non-executive director and three independent non-executive directors. The composition of the Board during the year and up to the date of this report is set out as follows:

Executive directors:

Mr. Kwong Jimmy Cheung Tim - *President and Chief Executive Officer*
Ms. Lui Yuk Chu - *Vice President*

Non-executive director:

Mr. Tse Wing Chiu, Ricky

Independent non-executive directors:

Mr. Tsui Chun Kong	
Mr. Jong Koon Sang	
Mr. Hon Tam Chun	(appointed on 25 August 2008)
Mr. Wong Sui Wah, Michael	(resigned on 25 August 2008)

The biographical details of the existing directors are set out in the "Biographical Details of Directors and Senior Management" on pages 9 and 11 of this annual report.

Throughout the year ended 31 March 2009, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Board has received from each independent non-executive director an annual confirmation of his independence and considers that all the independent non-executive directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board met four times during the year ended 31 March 2009. The individual attendance records of the directors at the Board meetings are as follows:

Name of directors	Number of meetings attended	Attendance rate
Executive directors		
Mr. Kwong Jimmy Cheung Tim	4/4	100%
Ms. Lui Yuk Chu	3/4	75%
Non-executive director		
Mr. Tse Wing Chiu, Ricky	4/4	100%
Independent non-executive directors		
Mr. Tsui Chun Kong	4/4	100%
Mr. Jong Koon Sang	4/4	100%
Mr. Hon Tam Chun (appointed on 25 August 2008)	3/3	100%
Mr. Wong Sui Wah, Michael (resigned on 25 August 2008)	1/1	100%

The Board has reserved for its decision or consideration matters covering mainly the corporate strategy, board composition, material transactions and investments, risk management, internal control and other significant policies and financial matters. The Board has delegated responsibility for day-to-day management of the Group through the Chief Executive Officer down to the executive management. The respective functions of the Board and management of the Company have been formalised and set out in writing which was approved by the Board in December 2005. Such arrangement will be reviewed periodically.

President and Chief Executive Officer

Mr. Kwong Jimmy Cheung Tim currently assumes the roles of both the President and Chief Executive Officer of the Company. The reasons for the deviation from the Code provision A.2.1 are explained in the section headed "Corporate Governance Practices" above.

Retirement and re-election of directors

The Bye-laws of the Company provide that (1) every director is required to retire by rotation at the annual general meeting no later than the third annual general meeting after he was last elected or re-elected and the directors to retire at every annual general meeting shall be decided by the Board; and (2) any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at the meeting.

Non-executive directors

There are currently four non-executive directors on the Board, three of them are independent. All the non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

BOARD COMMITTEES

The Board has established three committees, namely the Remuneration Committee, the Audit Committee and the Executive Committee with clearly defined written terms of reference. Each committee reports back to the Board on its decisions or recommendations after each meeting for further discussion and approval, unless there are legal or regulatory restrictions on its ability to do so.

Remuneration Committee

The Company has established a Remuneration Committee. The terms of reference of the Remuneration Committee has been revised in February 2009 in full compliance with the provisions set out in the Code.

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Jong Koon Sang (Committee Chairman), Mr. Tsui Chun Kong and Mr. Hon Tam Chun. The principal duties of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; (ii) to make recommendations to the Board on the remuneration packages of all directors and senior management; (iii) to review and approve performance-based remuneration; and (iv) to ensure that no director or any of his associates is involved in deciding his own remuneration.

The primary objective of the director remuneration policy is to attract, retain and motivate the personnels by providing fair reward for their contributions to the Group's performance. In this context, the remuneration policy is to set the overall remuneration package at a competitive level and in a form that permits additional remuneration to be earned for high performance over a sustained period. The remuneration packages are determined with reference to the time commitment and responsibilities of each individual, the Company's performance and the prevailing market conditions.

During the year ended 31 March 2009, one Remuneration Committee meeting was held. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended	Attendance rate
Mr. Jong Koon Sang	1/1	100%
Mr. Tsui Chun Kong	1/1	100%
Mr. Hon Tam Chun	1/1	100%

The Remuneration Committee has reviewed and recommended the remuneration packages for each director and senior management of the Company for the year ended 31 March 2009 for the Board's approval.

For the year ended 31 March 2009, the main components of the executive directors' remuneration are director's fee, basic salary, benefits in kind, discretionary performance based bonus, retirement benefits and participation in the share option scheme adopted by the shareholders of the Company in February 2002 (the "Share Option Scheme").

The non-executive director and independent non-executive directors do not receive any discretionary bonus or other benefits from the Company for the year ended 31 March 2009. But each of them is entitled to a director's fee and is eligible for the Share Option Scheme subject to the approval of the shareholders of the Company.

During the year ended 31 March 2009, no director was involved in deciding his own remuneration.

Audit Committee

The Company has established an Audit Committee. The terms of reference of the Audit Committee has been revised in February 2009 in compliance with the provisions set out in the Code.

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Tsui Chun Kong (Committee Chairman), Mr. Jong Koon Sang and Mr. Hon Tam Chun. Executive directors, senior management, head of Accounts Department, representatives of the external auditor of the Company (the "Auditor") or other persons will be invited to attend the meetings of the Audit Committee as and when required.

The principal duties of the Audit Committee include, (i) to oversee the relationship with the Auditor; (ii) to review the interim and annual financial statements before publication; and (iii) to oversee the Group's financial reporting system and internal control procedures.

During the year ended 31 March 2009, two Audit Committee meetings were held. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended	Attendance rate
Mr. Tsui Chun Kong	2/2	100%
Mr. Jong Koon Sang	2/2	100%
Mr. Hon Tam Chun (appointed on 25 August 2008)	1/1	100%
Mr. Wong Sui Wah, Michael (resigned on 25 August 008)	1/1	100%

During the year ended 31 March 2009, the Audit Committee (i) reviewed the reports from the Auditor, accounting principles and practices adopted by the Group, management representation letters, and management's response in relation to the annual results for the year ended 31 March 2008 and the interim results for the six months ended 30 September 2008; and (ii) reviewed the financial reports for the year ended 31 March 2008 and for the six months ended 30 September 2008 and recommended the same to the Board for approval.

The Audit Committee has reviewed with the management and the Auditor the audited consolidated financial statements of the Company for the year ended 31 March 2009.

Executive Committee

The Executive Committee currently comprises all the executive directors of the Company, namely Mr. Kwong Jimmy Cheung Tim (Committee Chairman) and Ms. Lui Yuk Chu. It meets as and when required between regular Board meetings of the Company, and operates as a general management committee under the direct authority of the Board. Within the parameters of authority delegated by the Board, the Executive Committee sees to the implementation of Group strategy set by the Board, monitors the Group's investment and trading performance, funding and financing requirements, and reviews the management performance.

AUDITOR'S REMUNERATION

For the year ended 31 March 2009, the Auditor received approximately HK$1,298,000 for audit service and approximately HK$1,058,000 for non-audit services mainly related to review of interim results and review of the financial information for the two major transactions (as defined under the Listing Rules) done during the year.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is empowered under the Company's Bye-laws to appoint any person as director either to fill a casual vacancy or as an addition to the Board.

A written director nomination policy was adopted by the Board in March 2006 with the intent to provide a set of guidelines for the effective functioning of the Company's director nomination process. The policy stipulates the criteria for identifying director candidates and the procedures for nomination, evaluation and assessment of candidates for directorship. The selection criteria are mainly based on their personal and professional integrity, independent mindedness, commitment to the Company, experience relevant to the Company's business as well as compliance with legal and regulatory requirements.

During the year ended 31 March 2009, Mr. Hon Tam Chun has been appointed as independent non-executive director of the Company with effect from 25 August 2008 to fill the casual vacancy upon the resignation of Mr. Wong Sui Wah, Michael as an independent non-executive director of the Company effective on the same date.

FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements of the Group. With the assistance of the Accounts Department, the directors ensure that the preparation of the financial statements of the Group are in accordance with the statutory requirements and applicable accounting standards. The directors also ensure timely publication of the financial statements of the Group.

The statement of the Auditor regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 26 and 27.

The Auditor did not report for the year ended 31 March 2009 that there were any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective system of internal control of the Group to safeguard the shareholders' investment and the Group's assets, and reviewing its effectiveness.

The Group's internal control system, including a defined management structure with limits of authority and segregation of duties and periodic review by the Board of the operational and financial reports prepared by the management or the Auditor, is designed to safeguard assets against unauthorised use or disposition, ensure maintenance of proper accounting records for provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system aims to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board has conducted a review of the effectiveness of the system of internal control and risk management of the Group for the financial year ended 31 March 2009. Recommendations have been suggested to the management of the Group in order to enhance the Group's system of internal control and minimise operational risk.

The Board is of the view that the Company has the appropriate accounting systems and adequate human resources to discharge the financial reporting function of the Group for the year ended 31 March 2009. Training programmes and budget will be provided from time to time for further enhancement.

COMMUNICATION WITH SHAREHOLDERS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. All shareholders are welcome to the annual general meeting of the Company, at which directors of the Company will be available to answer questions from shareholders. Communication is also provided through the annual reports, interim reports, announcements and circulars issued by the Company from time to time. Shareholders may also contact the Company in writing or visit the Company's website www.easyknit.com for information about the Group and its activities.

In compliance with the new requirements of the amended Code, any subsequent annual general meeting, and general meeting at which the passing of special resolution is to be considered shall be called by at least 20 clear business days' notice, whilst others shall be called by at least 10 clear business days' notice. Voting by poll has become mandatory on all resolutions at general meetings commencing from 1 January 2009. An announcement on the poll vote results will be published in the websites of the Stock Exchange and the Company following the relevant general meeting.

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and exporting of cotton-based knitted garments for infants, children and women, property investments and development, investment in securities and loan financing. During the year, there were no significant changes in the Group's principal activities.

RESULTS

The results of the Group are set out in the consolidated income statement on page 28.

The directors of the Company do not recommend the payment of a dividend.

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 27% and 83%, respectively, of the Group's purchases for the year.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 62% and 87%, respectively, of the Group's turnover for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) has a beneficial interest in the Group's five largest suppliers or customers.

SHARE CAPITAL

The details of the Company's share capital are set out in note 34 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$147,000 on acquisition of property, plant and equipment. The details of the movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

PROPERTIES HELD FOR DEVELOPMENT

The details of the Group's properties held for development are set out in note 19 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 March 2009 by a firm of independent professional property valuers and the loss arising on changes in fair value of investment properties, which had been charged directly to the consolidated income statement, amounted to approximately HK$21,760,000. Details of these are set out in note 20 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

The details of the Company's principal subsidiaries at 31 March 2009 are set out in note 40 to the consolidated financial statements.

PRINCIPAL ASSOCIATES

The details of the Group's principal associates at 31 March 2009 are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 March 2009 were as follows:

	HK$'000
Contributed surplus	269,306
Accumulated profits	111,890
	381,196

Under the laws in Bermuda, the contributed surplus account of a company is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Kwong Jimmy Cheung Tim – *President and Chief Executive Officer*
Lui Yuk Chu – *Vice President*

Non-executive director:
Tse Wing Chiu, Ricky

Independent non-executive directors:
Tsui Chun Kong
Jong Koon Sang
Hon Tam Chun (appointed on 25 August 2008)
Wong Sui Wah, Michael (resigned on 25 August 2008)

In accordance with the Company's Bye-law 99, Mr. Tse Wing Chiu, Ricky will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, has offered himself for re-election.

In accordance with the Company's Bye-law 102(B), Mr. Hon Tam Chun will hold office until the forthcoming annual general meeting of the Company and, being eligible, has offered himself for re-election.

None of the directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

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

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

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

Easyknit Enterprises Holdings Limited ("Easyknit Enterprises")

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of Easyknit Enterprises
Ms. Lui Yuk Chu *(note ii)*	Beneficiary of a trust	232,790,657	31.70%

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

Wellmake Investments Limited ("Wellmake") *(note iii)*

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

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

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

Save as disclosed above, as at 31 March 2009, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme are set out in note 35 to the consolidated financial statements.

No options were granted to, or exercised by, the directors during the year. There was no outstanding option granted to the directors at the beginning and at the end of the year.

Save as disclosed above, at no time during the year ended 31 March 2009 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or other body corporate nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, the persons (other than the directors or the chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

Name of substantial shareholder	**Capacity**	**Number of ordinary shares held**	**Approximate percentage to issued ordinary shares of the Company**
Koon Wing Yee *(note i)*	Interest of spouse	291,794,804	36.74%
Magical Profits Limited *(notes i & ii)*	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited *(note i)*	Interest of controlled corporation	291,794,804	36.74%
Hang Seng Bank Trustee International Limited (notes i & iii)	Trustee	291,794,804	36.74%
Hang Seng Bank Limited *(note iii)*	Interest of controlled corporation	291,794,804	36.74%
The Hongkong and Shanghai Banking Corporation Limited *(notes iii & iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings BV *(note iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings (UK) *(note iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings BV *(note iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Finance (Netherlands) *(note iv)*	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings plc *(note iv)*	Interest of controlled corporation	291,794,809	36.74%

Notes:

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

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

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

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

Other than as disclosed above, as at 31 March 2009, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 March 2009.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the executive directors of the Company on the basis of their performance, experience and prevailing industry practice.

The emolument of the directors of the Company is determined by the board of directors of the Company after recommendation from the Remuneration Committee, having regard to the time commitment and responsibilities of individual directors, the Company's performance and the prevailing market conditions.

The Company has adopted a share option scheme as an incentive to the directors and eligible employees, details of the scheme are set out in note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DONATIONS

During the year, the Group made donations amounting to approximately HK$8,000.

POST BALANCE SHEET EVENTS

The details of the significant post balance sheet events are set out in note 41 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on the Stock Exchange.

AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Kwong Jimmy Cheung Tim
President and Chief Executive Officer

Hong Kong, 20 July 2009

Deloitte.
德勤

TO THE SHAREHOLDERS OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Easyknit International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 89 which comprise the consolidated balance sheet as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 July 2009

	Notes	**2009 HK$'000**	2008 HK$'000
Turnover	7	**458,068**	521,339
Cost of sales		**(373,912)**	(424,141)
Gross profit		**84,156**	97,198
Other income		**18,025**	24,037
Distribution and selling expenses		**(9,805)**	(11,747)
Administrative expenses		**(49,288)**	(45,460)
(Loss) gain arising on changes in fair value of investment properties		**(21,760)**	52,928
Impairment loss on available-for-sale investments	9	**(32,162)**	(33,163)
Impairment loss on properties held for development	10	**(25,632)**	—
Gain on fair value change of structured deposit		**795**	—
Loss on fair value changes of investments held for trading		**(60,408)**	(9,690)
Gain (loss) on disposal of available-for-sale investments		**3,803**	(7,594)
Gain on partial disposal of interests in associates	11	**1,021**	—
Share of results of associates		**(15,044)**	(6,399)
Finance costs – interest on bank borrowings wholly repayable within five years		**(91)**	(10)
(Loss) profit before taxation	12	**(106,390)**	60,100
Taxation credit	14	**5,006**	4,236
(Loss) profit for the year attributable to equity holders of the Company		**(101,384)**	64,336
Basic (loss) earnings per share	16	**HK$(0.128)**	HK$0.081

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**15,489**	16,428
Properties held for development	19	**99,000**	—
Investment properties	20	**544,920**	566,680
Intangible asset	21	**921**	921
Interests in associates	22	**113,036**	94,438
Available-for-sale investments	23	**33,891**	79,812
Loans receivable	28	**—**	83
		807,257	758,362
Current assets			
Properties held for development	19	**181,204**	178,587
Properties held for sale	24	**—**	1,822
Investments held for trading	25	**93,420**	139,033
Inventories	26	**3,490**	2,942
Trade and other receivables	27	**44,060**	32,143
Loans receivable	28	**86,068**	134,000
Bills receivable	29	**39,180**	30,826
Tax recoverable		**31**	368
Structured deposit	30	**24,045**	—
Bank balances and cash	31	**165,147**	281,315
		636,645	801,036
Current liabilities			
Trade and other payables	32	**28,692**	40,482
Bills payable	33	**9,683**	3,566
Tax payable		**25,657**	23,978
		64,032	68,026
Net current assets		**572,613**	733,010
		1,379,870	1,491,372

	Notes	**2009** **HK$'000**	2008 HK$'000
Capital and reserves			
Share capital	34	**7,942**	7,942
Reserves		**1,357,242**	1,461,587
		1,365,184	1,469,529
Non-current liabilities			
Deferred taxation	36	**14,686**	21,843
		1,379,870	1,491,372

The consolidated financial statements on pages 28 to 89 were approved and authorised for issue by the Board of Directors on 20 July 2009 and are signed on its behalf by:

Kwong Jimmy Cheung Tim
DIRECTOR

Lui Yuk Chu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(note a)*	Translation reserve HK$'000	Special reserve HK$'000 *(note b)*	Contributed surplus HK$'000 *(note c)*	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000 *(note d)*	Accumulated profits HK$'000	Total HK$'000
At 1 April 2007	7,942	218,330	196,565	2,565	9,800	220,937	(28,190)	2,521	738,708	1,369,178
Change in fair value of available-for-sale investments	–	–	–	–	–	–	(8,541)	–	–	(8,541)
Share of translation reserve of associates	–	–	–	3,799	–	–	–	–	–	3,799
Net income (expenses) recognised directly in equity	–	–	–	3,799	–	–	(8,541)	–	–	(4,742)
Released on disposal of available-for-sale investments	–	–	–	–	–	–	7,594	–	–	7,594
Impairment loss on available-for-sale investments	–	–	–	–	–	–	33,163	–	–	33,163
Profit for the year	–	–	–	–	–	–	–	–	64,336	64,336
Total recognised income and expenses for the year	–	–	–	3,799	–	–	32,216	–	64,336	100,351
At 31 March 2008 and 1 April 2008	7,942	218,330	196,565	6,364	9,800	220,937	4,026	2,521	803,044	1,469,529
Change in fair value of available-for-sale investments	–	–	–	–	–	–	(32,385)	–	–	(32,385)
Share of translation reserve of associates	–	–	–	1,098	–	–	–	–	–	1,098
Exchange differences on translation of foreign operations	–	–	–	(33)	–	–	–	–	–	(33)
Net income (expenses) recognised directly in equity	–	–	–	1,065	–	–	(32,385)	–	–	(31,320)
Released on disposal of available-for-sale investments	–	–	–	–	–	–	(3,803)	–	–	(3,803)
Impairment loss on available-for-sale investments	–	–	–	–	–	–	32,162	–	–	32,162
Loss for the year	–	–	–	–	–	–	–	–	(101,384)	(101,384)
Total recognised income and expenses for the year	–	–	–	1,065	–	–	(4,026)	–	(101,384)	(104,345)
At 31 March 2009	7,942	218,330	196,565	7,429	9,800	220,937	–	2,521	701,660	1,365,184

Notes:

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

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

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

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

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		
(Loss) profit before taxation	**(106,390)**	60,100
Adjustments for:		
Share of results of associates	**15,044**	6,399
Interest income	**(11,211)**	(17,484)
Interest expense	**91**	10
Depreciation of property, plant and equipment	**1,086**	1,140
Amortisation of land portion of properties held for development	**899**	—
Impairment loss on available-for-sale investments	**32,162**	33,163
Impairment loss on properties held for development	**25,632**	—
Reversal of impairment loss on trade and other receivables	**—**	(12)
(Gain) loss on disposal of available-for-sale investments	**(3,803)**	7,594
Dividend income from listed investments	**(5,591)**	(2,503)
Loss on fair value changes of investments held for trading	**60,408**	9,690
Loss (gain) arising on changes in fair value of investment properties	**21,760**	(52,928)
Gain on partial disposal of interests in associates	**(1,021)**	—
Gain on fair value change of structured deposit	**(795)**	—
Operating profit before movements in working capital	**28,271**	45,169
Increase in properties held for development	**(128,148)**	(22,304)
Decrease in properties held for sale	**1,822**	5,406
Increase in investments held for trading	**(14,795)**	(107,157)
(Increase) decrease in inventories	**(548)**	6,924
Decrease (increase) in loans receivable	**48,015**	(85,703)
(Increase) decrease in trade and other receivables	**(11,917)**	17,147
(Increase) decrease in bills receivable	**(8,354)**	15,835
Decrease in trade and other payables	**(11,790)**	(6,421)
Increase (decrease) in bills payable	**6,117**	(1,082)
Cash used in operations	**(91,327)**	(132,186)
Hong Kong Profits Tax paid	**(135)**	(2,646)
Loan interest received	**7,658**	3,370
Dividend received from investments held for trading	**2,663**	1,508
Net cash used in operating activities	**(81,141)**	(129,954)

	2009 HK$'000	2008 HK$'000
Cash flows from investing activities		
Proceeds from disposal of available-for-sale investments	**13,536**	50,417
Bank interest received	**3,553**	14,114
Dividend received from available-for-sale investments	**2,928**	995
Capital contribution to associates	**(31,523)**	(36,448)
Purchase of structured deposit	**(23,250)**	—
Purchase of property, plant and equipment	**(147)**	(206)
Proceeds from disposal of investment properties	**—**	92,418
Proceeds from disposal of property, plant and equipment	**—**	576
Purchase of available-for-sale investments	**—**	(53,940)
Net cash (used in) from investing activities	**(34,903)**	67,926
Cash used in financing activities		
Interest paid	**(91)**	(10)
Net decrease in cash and cash equivalents	**(116,135)**	(62,038)
Cash and cash equivalents at beginning of the year	**281,315**	343,353
Effect of foreign exchange rate changes	**(33)**	—
Cash and cash equivalents at end of the year, represented by bank balances and cash	**165,147**	281,315

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied, for the first time, the following Amendments and Interpretations ("INTs") (collectively "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of financial statements [3]
HKAS 23 (Revised)	Borrowing costs [3]
HKAS 27 (Revised)	Consolidated and separate financial statements [4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [3]
HKAS 39 (Amendment)	Eligible hedged items [4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [3]
HKFRS 3 (Revised)	Business combinations [4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [3]
HKFRS 8	Operating segments [3]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives [5]
HK(IFRIC) – INT 13	Customer loyalty programmes [6]
HK(IFRIC) – INT 15	Agreements for the construction of real estate [3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [7]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners [4]
HK(IFRIC) – INT 18	Transfer of assets from customers [8]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2009.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for annual periods ending on or after 30 June 2009.
6 Effective for annual periods beginning on or after 1 July 2008.
7 Effective for annual periods beginning on or after 1 October 2008.
8 Effective for transfers on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Interests in associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

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

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

Service income is recognised when services are rendered.

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

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

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

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

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment

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

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

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

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

Investment properties

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

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

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

Properties held for development

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Properties held for sale

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

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

Intangible assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

Impairment of intangible assets

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

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

Impairment (other than intangible assets)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies

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

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

Retirement benefit scheme

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Impairment allowance on loans receivable

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

(b) Impairment loss on properties held for development

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

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**17,182**	18,620
Loans receivable	**86,068**	134,083
Bills receivable	**39,180**	30,826
Bank balances and cash	**165,147**	281,315
	307,577	464,844
Fair value through profit or loss		
Investments held for trading	**93,420**	139,033
Designated at fair value through profit or loss		
– structured deposit (Note)	**24,045**	—
	117,465	139,033
Available-for-sale financial assets		
Available-for-sale investments	**33,891**	79,812
Financial liabilities		
Amortised costs		
Trade and other payables	**23,773**	35,550
Bills payable	**9,683**	3,566
	33,456	39,116

Note:

	2009 HK$'000	2008 HK$'000
Difference between carrying amount and outstanding principal amount		
At fair value	**24,045**	—
Outstanding principal at balance sheet date	**(23,250)**	—
	795	—

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies

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

Market risk

(i) Interest rate risk

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

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

Sensitivity analysis

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

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

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk – *continued*

(ii) Currency risk

Certain subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currencies, which exposes the Group to foreign currency risk. Approximately 84% of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale, whilst all of the Group's purchases are denominated in the group entities' functional currency.

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

	Assets		Liabilities	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
United States dollars ("USD")	**96,477**	51,026	**192**	1,973
Euro	**338**	13,935	**—**	—
Renminbi ("RMB")	**795**	—	**—**	—

Sensitivity analysis

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

The sensitivity analysis includes outstanding foreign currency denominated monetary items excluding structured deposit and adjusts their translation at year end for a 5% change in foreign currency rates. As HKD is pegged to USD, the financial impact on exchange difference between USD and HKD is expected to be immaterial and therefore excluded from the following analysis. A positive number indicates a decrease in loss for the year ended 31 March 2009 or an increase in profit for the year ended 31 March 2008 where HKD weaken 5% against Euro. For a 5% strengthening of HKD against Euro, there would be an equal and opposite impact in the loss for the year ended 31 March 2009 or the profit for the year ended 31 March 2008 and the balances below would be negative.

	HK$'000
Loss for the year ended 31 March 2009 would decrease by	14
Profit for the year ended 31 March 2008 would increase by	575

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk – *continued*

(ii) Currency risk – continued

Sensitivity analysis – continued

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

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

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

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk – *continued*

(iii) Equity price risk

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

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% (2008: 5%) higher/lower, loss for the year ended 31 March 2009 would decrease/increase by HK$7,801,000 (profit for the year ended 31 March 2008 would increase/decrease by HK$5,735,000) as a result of the changes in fair value of investments held for trading; and loss for the year ended 31 March 2009 would decrease/increase by HK$3,389,000 (profit for the year ended 31 March 2008 would increase/decrease by HK$3,991,000) as a result of the changes in fair value of the available-for-sale investments. The management adjusted the sensitivity rate from 5% to 10% for assessing equity price risk after considering the impact of the volatile financial market conditions after the third quarter of 2008. In management's opinion, the sensitivity analysis is unrepresentative of the equity price risk as the year end exposure does not reflect the exposures during the year.

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 March 2009 and 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In view of nature of garment business, the Group has targeted on the market of cotton-based knitted garments for infants, children and women. The Group has concentration of credit risk as the Group's trade receivables as at 31 March 2009 of HK$11,704,000 (2008: HK$15,690,000) was derived from a few customers, in which all trade receivables as at 31 March 2009 and 2008 which were not yet past due except for approximately 13% (2008: 25%) of these trade receivables were past due but not impaired at the balance sheet date. The management considered that the credit risk of these trade receivables is minimal as all are with long business relationship. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts. In addition, the management has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

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

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

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Liquidity risk

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

At 31 March 2009, the Group has available unutilised bank loan facilities of HK$25,317,000 (2008: HK$106,434,000).

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

Liquidity risk tables

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March HK$'000
2009					
Non-derivative financial liabilities					
Trade and other payables	**N/A**	**13,847**	**9,926**	**23,773**	**23,773**
Bills payable	**N/A**	**9,683**	**—**	**9,683**	**9,683**
		23,530	**9,926**	**33,456**	**33,456**
2008					
Non-derivative financial liabilities					
Trade and other payables	N/A	26,379	9,171	35,550	35,550
Bills payable	N/A	3,566	—	3,566	3,566
		29,945	9,171	39,116	39,116

6. FINANCIAL INSTRUMENTS – *continued*

c. Fair value

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

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

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

7. TURNOVER

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

	2009 **HK$'000**	2008 HK$'000
Sales of goods	**427,428**	487,806
Rental income	**28,166**	27,164
Sales of properties	**2,188**	6,080
Building management fee income	**286**	289
	458,068	521,339

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Segment information about these businesses is presented below:

Year 2009

(i) Income statement

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External	427,428	28,452	2,188	—	—	—	458,068
Inter-segment	—	3,018	—	—	—	(3,018)	—
Total	427,428	31,470	2,188	—	—	(3,018)	458,068
RESULT							
Segment result	11,788	5,393	(26,185)	(83,176)	7,530	(3,506)	(88,156)
Unallocated corporate income							4,312
Unallocated corporate expenses							(8,432)
Share of results of associates							(15,044)
Gain on partial disposal of interests in associates							1,021
Finance costs							(91)
Loss before taxation							(106,390)
Taxation credit							5,006
Loss for the year							(101,384)

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2009 – *continued*

(ii) Balance sheet

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	82,591	545,890	280,204	127,311	89,547	1,125,543
Interests in associates						113,036
Unallocated corporate assets						205,323
Consolidated total assets						1,443,902
LIABILITIES						
Segment liabilities	21,716	14,778	1,237	—	39	37,770
Unallocated corporate liabilities						40,948
Consolidated total liabilities						78,718

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2009 – *continued*

(iii) Other information

	Garment sourcing and exporting HK$'000	Property investments HK$'000	Property development HK$'000	Investment in securities HK$'000	Loan financing HK$'000	Consolidated HK$'000
Capital additions	147	—	—	—	—	147
Amortisation of land portion of properties held for development	—	—	899	—	—	899
Depreciation of property, plant and equipment	698	388	—	—	—	1,086
Impairment loss on properties held for development	—	—	25,632	—	—	25,632
Impairment loss on available-for-sale investments	—	—	—	32,162	—	32,162
Loss arising on changes in fair value of investment properties	—	21,760	—	—	—	21,760
Loss on fair value changes of investments held for trading	—	—	—	60,408	—	60,408

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2008

(i) Income statement

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

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2008 – *continued*

(ii) Balance sheet

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Business segments – *continued*

Year 2008 – *continued*

(iii) Other information

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – *continued*

Geographical segments

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

	Turnover	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**30,640**	33,533
The People's Republic of China, excluding Hong Kong (the "PRC")	**718**	297
United States of America ("USA")	**380,294**	435,847
Europe	**34,271**	39,712
Mexico	**12,145**	11,950
	458,068	521,339

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,116,665**	1,156,897	**136**	98
USA	**8,878**	10,085	**11**	108
	1,125,543	1,166,982	**147**	206

9. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 March 2009, an impairment loss on available-for-sale investments of HK$32,162,000 (2008: HK$33,163,000) was recognised as a result of significant or prolonged decline in fair value of certain of the Group's listed equity investments below their costs.

10. IMPAIRMENT LOSS ON PROPERTIES HELD FOR DEVELOPMENT

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

11. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN ASSOCIATES

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

12. (LOSS) PROFIT BEFORE TAXATION

	2009	2008
	HK$'000	HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 13(a))*	**4,148**	4,602
Other staff costs, including retirement benefits costs	**23,762**	24,596
Total staff costs	**27,910**	29,198
Depreciation of property, plant and equipment	**1,086**	1,140
Amortisation of land portion of properties held for development	**899**	—
Auditor's remuneration:		
- current year	**1,019**	868
- underprovision in prior years	**279**	145
Cost of inventories recognised as an expense	**372,090**	418,735
Cost of properties sold	**1,822**	5,406
Exchange loss, net	**4,679**	—
and after crediting:		
Dividend income from listed investments	**5,591**	2,503
Interest income	**11,211**	17,484
Reversal of impairment loss on trade and other receivables	**—**	12

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

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

	Executive director		Non-executive director	Independent non-executive director				
	Kwong Jimmy Cheung Tim HK$'000	Lui Yuk Chu HK$'000	Tse Wing Chiu, Ricky HK$'000	Wong Sui Wah, Michael HK$'000 *(Note i)*	Jong Koon Sang HK$'000	Tsui Chun Kong HK$'000	Hon Tam Chun HK$'000 *(Note ii)*	Total HK$'000
Fees	—	—	100	40	100	100	60	400
Other emoluments								
– salaries and other benefits	960	2,716	—	—	—	—	—	3,676
– retirement benefits schemes contributions	12	60	—	—	—	—	—	72
Total directors' emolument	972	2,776	100	40	100	100	60	4,148

Notes:

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

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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

(a) Information regarding directors' emoluments – *continued*

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

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

Note:

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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

(b) Information regarding employees' emoluments

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

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**3,114**	3,150
Retirement benefits schemes contributions	**78**	36
	3,192	3,186

The emoluments of these employees fall within the following bands:

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**1**	1
HK$1,000,001 - HK$1,500,000	**2**	2
	3	3

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

14. TAXATION CREDIT

	2009 HK$'000	2008 HK$'000
The credit comprises:		
Current tax - Hong Kong Profits Tax:		
Current year	**2,208**	2,132
(Over)underprovision in prior years	**(57)**	22
	2,151	2,154
Deferred taxation *(note 36)*		
Credit for the year	**(5,908)**	(6,390)
Attributable to change in tax rate	**(1,249)**	—
	(7,157)	(6,390)
Tax credit attributable to the Company and its subsidiaries	**(5,006)**	(4,236)

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

Hong Kong Profits Tax was provided at 16.5% (2008: 17.5%) on the estimated assessable profit for the year.

14. TAXATION CREDIT – *continued*

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

	2009 HK$'000	2008 HK$'000
(Loss) profit before taxation	(106,390)	60,100
Tax (credit) charge of Hong Kong Profits Tax at 16.5% (2008: 17.5%)	(17,554)	10,518
Tax effect of expenses not deductible for tax purposes	15,417	7,386
Tax effect of income not taxable for tax purposes	(2,331)	(10,669)
Tax effect of share of results of associates	2,482	1,120
Tax effect of tax losses not recognised	1,177	1,289
Tax effect of utilisation of tax losses previously not recognised	(2,515)	(2,875)
(Over)underprovision in prior years	(57)	22
Release of deferred taxation arising from disposal of investment properties	—	(11,305)
Decrease in opening deferred tax liabilities resulting from decrease in tax rate	(1,249)	—
Others	(376)	278
Taxation credit for the year	(5,006)	(4,236)

15. DIVIDEND

The directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2009 (2008: nil).

16. BASIC (LOSS) EARNINGS PER SHARE

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

	2009 HK$'000	2008 HK$'000
(Loss) earnings for the purposes of calculating basic (loss) earnings per share	(101,384)	64,336

	2009	2008
Number of shares		
Number of shares for the purposes of calculating basic (loss) earnings per share	794,204,028	794,204,028

No diluted (loss) earnings per share is presented as there is no potential ordinary shares of the Company outstanding during both years. In addition, there is no dilutive effect on the Company's diluted (loss) earnings per share in relation to the outstanding convertible note in issue during both years by Easyknit Enterprises, an associate of the Group.

17. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

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

	2009	2008
	HK$'000	HK$'000
Rental income	**376**	573
Commission income	**—**	54
Purchases of garments	**—**	150

(b) During the year ended 31 March 2009, the Group provided administrative service to Easyknit Enterprises and received service income of HK$240,000 (2008: HK$240,000) from Easyknit Enterprises. Easyknit Enterprises is an associate of the Group and a company in which Ms. Lui Yuk Chu, a director of the Company, and her spouse, Mr. Koon Wing Yee, have beneficial interests.

In addition, the Group also disposed of a motor vehicle to a subsidiary of Easyknit Enterprises at a consideration of HK$576,000 (2009: nil) during the year ended 31 March 2008.

(c) Compensation of key management personnel

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

	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**8,183**	8,811
Post employment benefits	**207**	141
	8,390	8,952

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

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000 *(note a)*	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION				
At 1 April 2007	32,319	13,118	4,047	49,484
Additions	—	206	—	206
Disposals	—	(100)	(1,330)	(1,430)
At 31 March 2008 and 1 April 2008	32,319	13,224	2,717	48,260
Exchange realignments	—	(5)	—	(5)
Additions	—	147	—	147
Disposals	—	(295)	—	(295)
At 31 March 2009	**32,319**	**13,071**	**2,717**	**48,107**
Comprising:				
At 31 March 2008				
At cost	3,319	13,224	2,717	19,260
At valuation - 1995	29,000	—	—	29,000
	32,319	13,224	2,717	48,260
At 31 March 2009				
At cost	3,319	13,071	2,717	19,107
At valuation - 1995	29,000	—	—	29,000
	32,319	13,071	2,717	48,107
ACCUMULATED DEPRECIATION				
At 1 April 2007	17,485	12,460	1,601	31,546
Provided for the year	366	279	495	1,140
Eliminated on disposals	—	(100)	(754)	(854)
At 31 March 2008 and 1 April 2008	17,851	12,639	1,342	31,832
Exchange realignments	—	(5)	—	(5)
Provided for the year	369	244	473	1,086
Eliminated on disposals	—	(295)	—	(295)
At 31 March 2009	**18,220**	**12,583**	**1,815**	**32,618**
CARRYING VALUES				
At 31 March 2009	**14,099**	**488**	**902**	**15,489**
At 31 March 2008	14,468	585	1,375	16,428

18. PROPERTY, PLANT AND EQUIPMENT – *continued*

Note:

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

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

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

The carrying value of leasehold properties shown above comprises:

	2009	2008
	HK$'000	HK$'000
Properties held on medium-term lease in Hong Kong	**14,099**	14,468

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

19. PROPERTIES HELD FOR DEVELOPMENT

	2009	2008
	HK$'000	HK$'000
Carrying amount of properties held for development:		
Non-current assets	**99,000**	—
Current assets	**181,204**	178,587
	280,204	178,587

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

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

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

During the year ended 31 March 2009, Trump Elegant completed the acquisition of 11 out of the 12 units in a building situated at Prince Edward Road West, Kowloon, Hong Kong (the "Prince Edward Road Building") at a total consideration of HK$117,231,000 (including direct costs). As disclosed in note 10, an impairment loss of HK$25,632,000 was recognised for these properties held for development during the year ended 31 March 2009.

As at 31 March 2009, due to the uncertainty on the timing of successful acquisition of the remaining unit of the Prince Edward Road Building for development purpose within the Group's normal operating cycle, properties held for development of HK$99,000,000 (2008: nil) were not included in the Group's current assets in the consolidated balance sheet at 31 March 2009.

During the year ended 31 March 2008, the Group completed the acquisition of all units of a building situated at Victory Avenue, Kowloon, Hong Kong (the "Victory Avenue Building") and the development project has been commenced. At 31 March 2009, the properties held for development in relation to the Victory Avenue Building amounting to HK$181,204,000 (2008: HK$178,587,000) was included in the Group's current assets in the consolidated balance sheet as it is expected that the properties will be realised in the Group's normal operating cycle for properties development, which is expected to be more than twelve months after the balance sheet date.

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2007	606,170
Increase in fair value recognised in the consolidated income statement	52,928
Disposal	(92,418)
At 31 March 2008 and 1 April 2008	566,680
Decrease in fair value recognised in the consolidated income statement	(21,760)
At 31 March 2009	**544,920**

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

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

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

	2009 HK$'000	2008 HK$'000
Long lease	**82,000**	86,000
Medium-term lease	**462,920**	480,680
	544,920	566,680

21. INTANGIBLE ASSET

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

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

22. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Listed securities in Hong Kong, at cost	**144,668**	112,124
Share of post-acquisition losses	**(39,094)**	(24,050)
Share of translation reserve	**7,462**	6,364
	113,036	94,438
Market value of listed securities	**32,591**	65,605

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

	2009 HK$'000	2008 HK$'000
Total assets	**388,119**	333,349
Total liabilities	**(31,539)**	(66,384)
Net assets *(note)*	**356,580**	266,965
Group's share of net assets of associates	**113,036**	94,438
Turnover	**59,960**	74,923
Loss for the year	**(47,457)**	(17,811)
Total share of results of associates for the year	**(15,044)**	(6,399)

Note: The amount at 31 March 2008 included the equity component of the convertible note issued by Easyknit Enterprises in March 2008 to a third party amounting to HK$4,128,000 (2009: nil), which was not shared by the Group.

The Group performed impairment review assessment on interests in associates as at 31 March 2009 based on discounted cashflow analysis. In the opinion of the directors of the Company, no impairment on interests in associates is considered necessary.

22. INTERESTS IN ASSOCIATES – *continued*

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

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

22. INTERESTS IN ASSOCIATES – *continued*

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

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

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

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

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

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

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

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

23. AVAILABLE-FOR-SALE INVESTMENTS

	2009 **HK$'000**	2008 HK$'000
Equity securities listed in Hong Kong at market value	**33,891**	79,812

24. PROPERTIES HELD FOR SALE

At 31 March 2008, the properties held for sales were stated at cost and were situated in Hong Kong under medium-term leases. During the year ended 31 March 2009, all properties held for sales were sold to outside customers.

25. INVESTMENTS HELD FOR TRADING

	2009	2008
	HK$'000	HK$'000
Equity securities listed in Hong Kong at market value	**93,420**	139,033

26. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Raw materials	**1,113**	—
Finished goods	**2,377**	2,942
	3,490	2,942

27. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Trade receivables	**11,704**	16,480
Less: Allowance for doubtful debts	**—**	(790)
	11,704	15,690
Deposits to suppliers	**26,476**	13,034
Other receivables	**5,880**	3,419
	44,060	32,143

27. TRADE AND OTHER RECEIVABLES – *continued*

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

	2009	2008
	HK$'000	HK$'000
0 - 60 days	**10,411**	15,404
61 - 90 days	**1,245**	224
Over 90 days	**48**	62
	11,704	15,690

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$1,536,000 (2008: HK$3,918,000) which are past due at the reporting date for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

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

	2009	2008
	HK$'000	HK$'000
Overdue by 1 to 60 days	**1,479**	3,856
Overdue by 61 to 90 days	**9**	1
Overdue by over 90 days	**48**	61
	1,536	3,918

Movement in the allowance for doubtful debts:

	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**790**	5,121
Amounts written off as uncollectible	**(790)**	(4,319)
Amounts recovered during the year	**—**	(12)
Balance at end of the year	**—**	790

Included in the allowance for doubtful debts at 31 March 2008 were individually impaired trade receivables with an aggregate balance of HK$790,000 (2009: nil) which had either been placed under liquidation or in financial difficulties. The Group did not hold any collateral over these balances.

27. TRADE AND OTHER RECEIVABLES – *continued*

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

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

	2009 HK$'000	2008 HK$'000
USD	**5,867**	4,891
Euro	**—**	2,130

28. LOANS RECEIVABLE

	2009 HK$'000	2008 HK$'000
Amount secured by listed equity shares and bearing interest at 9% (2008: the bank's Hong Kong dollars best lending rate plus 2%) per annum	**3,968**	9,000
Unsecured amount		
– guaranteed by outside parties and bearing interest at a rate ranging from 8% to 8.75% (2008: a rate ranging from 6% to 9.75%) per annum	**26,300**	75,083
– bearing interest at a rate ranging from 8.25% to 9% (2008: 8.75%) per annum	**55,800**	50,000
	86,068	134,083
Less: Amount due from borrowers within one year shown under current assets	**(86,068)**	(134,000)
Amount due from borrowers after one year but not more than two years shown under non-current assets	**—**	83

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

28. LOANS RECEIVABLE – *continued*

Movement in the allowance for doubtful debts:

	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**—**	2,160
Amounts written off as uncollectible	**—**	(2,160)
Balance at end of the year	**—**	—

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

29. BILLS RECEIVABLE

At the balance sheet date, the bills receivable are aged within 90 days (2008: 90 days).

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

	2009	2008
	HK$'000	HK$'000
USD	**39,180**	30,826

30. STRUCTURED DEPOSIT

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

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

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

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

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

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

31. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 4.72% (2008: 0.01% to 5.75%) per annum.

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

	2009	2008
	HK$'000	HK$'000
USD	**28,179**	15,309
Euro	**338**	11,805

32. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$10,434,000 (2008: HK$23,704,000). The aged analysis of trade payables at the balance sheet date is as follows:

	2009	2008
	HK$'000	HK$'000
0 - 60 days	**10,419**	23,687
61 - 90 days	**11**	12
Over 90 days	**4**	5
	10,434	23,704

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:

	2009	2008
	HK$'000	HK$'000
USD	**192**	529

33. BILLS PAYABLE

At the balance sheet date, the bills payable are aged within 30 days (2008: 30 days).

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

	2009	2008
	HK$'000	HK$'000
USD	—	1,444

34. SHARE CAPITAL

	Nominal value per share	**Number of shares**	**Amount**
	HK$		HK$'000
Authorised:			
At 1 April 2007, 31 March 2008 and 31 March 2009	0.01	100,000,000,000	1,000,000
Issued and fully paid:			
At 1 April 2007, 31 March 2008 and 31 March 2009	0.01	794,204,028	7,942

35. SHARE OPTION SCHEME

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

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

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

35. SHARE OPTION SCHEME – *continued*

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

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

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

There was no share option outstanding at 31 March 2009 and 2008 or at any time during both years.

36. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Investment properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2007	324	45,697	(17,788)	28,233
(Credit) charge to consolidated income statement	(68)	(8,605)	2,283	(6,390)
At 31 March 2008 and 1 April 2008	256	37,092	(15,505)	21,843
Effect of change in tax rate	(15)	(2,120)	886	(1,249)
Charge (credit) to consolidated income statement	5	(1,023)	(4,890)	(5,908)
At 31 March 2009	**246**	**33,949**	**(19,509)**	**14,686**

36. DEFERRED TAXATION – *continued*

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

At 31 March 2009, the Group has unused tax losses of HK$211,431,000 (2008: HK$189,905,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$118,239,000 (2008: HK$88,598,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$93,192,000 (2008: HK$101,307,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except the losses of HK$54,877,000 (2008: HK$52,453,000) which will expire as follows:

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

37. PLEDGE OF ASSETS

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

	2009 **HK$'000**	2008 HK$'000
Investment properties	**48,900**	138,500

38. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2009 **HK$'000**	2008 HK$'000
Minimum lease payments recognised in the consolidated income statement during the year	**2,364**	2,147

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

	2009 **HK$'000**	2008 HK$'000
Within one year	**2,085**	918
In the second to fifth year inclusive	**260**	676
	2,345	1,594

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

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

38. OPERATING LEASE ARRANGEMENTS – *continued*

The Group as lessor

	2009 HK$'000	2008 HK$'000
Property rental income earned during the year	**28,166**	27,164
Less: Outgoings	**(839)**	(881)
Net rental income	**27,327**	26,283

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

	2009 HK$'000	2008 HK$'000
Within one year	**22,624**	23,202
In the second to fifth year inclusive	**12,344**	9,595
	34,968	32,797

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

39. RETIREMENT BENEFITS SCHEMES

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

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

The aggregate employers' contributions which have been dealt with in the consolidated income statement for the year ended 31 March 2009 amounted to HK$754,000 (2008: HK$776,000).

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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
			2009		2008		
			Directly	Indirectly	Directly	Indirectly	
Easyknit BVI Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100%	—	100%	—	Investment holding
Easyknit Global Company Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Trading of garments
Easyknit International Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	—	Investment holding
Easyknit Properties Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US$1,000	100%	—	100%	—	Investment holding
Easyknit Properties Management Limited	Hong Kong	Ordinary HK$10,000	—	100%	—	100%	Property management
Easyknit Worldwide Company Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Trading of garments
Golden Top Properties Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Property holding
Grand Profit Development Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Trading of garments
Happy Light Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	—	100%	Property development
Janson Properties Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Property holding
Landmark Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	—	Investment holding
Mark Profit Development Limited	Hong Kong	Ordinary HK$2	—	100%	—	100%	Property and investment holding

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

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

Name of subsidiary	Place of incorporation/ establishment and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
			2009		2008		
			Directly	**Indirectly**	Directly	Indirectly	
Mary Mac Apparel Inc.	USA	Common stock US$7,738,667	**—**	**100%**	—	100%	Garment distribution
Planetic International Limited	Hong Kong	Ordinary HK$2	**—**	**100%**	—	100%	Finance company
Trump Elegant Investment Limited	Hong Kong	Ordinary HK$1	**—**	**100%**	—	—	Property development
Wellmake Investments Limited	Hong Kong	Ordinary HK$9,998 (Non-voting deferred HK$2)*	**—**	**100%**	—	100%	Property holding

* The non-voting deferred shares of Wellmake Investments Limited carry no rights to receive notice of, attend or vote at any general meeting and have very limited rights to participate in a distribution of profits and, on liquidation, to the repayment of the amount paid up on the shares.

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

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

41. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 March 2009:

(a) As announced by the Company on 24 June 2009, the Group disposed of certain equity securities listed in Hong Kong classified as investments held for trading, with a carrying value of HK$22,111,000 at 31 March 2009 for a cash consideration of HK$26,094,900 before expenses.

(b) As announced by the Company on 3 July 2009, the Group entered into a sale and purchase agreement with an independent third party to purchase the remaining one unit of the Prince Edward Road Building referred to in note 19 at a consideration of HK$9,500,000.

(c) As announced by the Company on 15 July 2009, a wholly-owned subsidiary of the Company received and accepted an offer from the Urban Renewal Authority to purchase the Group's investment property located at No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK$47,113,000 plus an allowance of HK$4,711,000. The carrying value of the investment property as at 31 March 2009 was HK$48,900,000. This proposed disposal of a property will be subject to shareholders' approval at a special general meeting.

(d) As announced by the Company on 17 July 2009, the Group entered into a sale and purchase agreement with a vendor to acquire the entire issued share capital of Kingbest Capital Holdings Limited ("Kingbest") for a total consideration of HK$2,440,000. The Group also agreed to advance an interest-free loan to Kingbest up to an aggregate amount not exceeding HK$7,410,000. Kingbest is a limited liability company incorporated in the British Virgin Islands and is the purchaser under various property purchase agreements. The acquisition of Kingbest will enable the Group to acquire all units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2928 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong).

    In addition, the vendor granted to the Group an option to require the vendor to purchase from the Group the entire issued share capital of Kingbest if completion of any units does not take place or if in the sole opinion of the Group, the title of the units is defective, or vacant possession of the units is not obtained on the specified dates, at a consideration equivalent to the aggregate of HK$2,440,000 and total sum paid by Kingbest and the Group. The option may be exercised by the Group by notice in writing to the vendor any time on or before 31 October 2009. This proposed acquisition will be subject to shareholders' approval at a special general meeting.

    Other details of the above proposed acquisition are set out in the announcement of the Company dated 17 July 2009.

RESULTS

	Year ended 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	590,001	489,715	557,737	521,339	**458,068**
Profit (loss) before taxation	366,242	182,534	(109,470)	60,100	**(106,390)**
Taxation (charge) credit	(17,773)	(9,683)	(6,127)	4,236	**5,006**
Profit (loss) for the year attributable to equity holders of the Company	348,469	172,851	(115,597)	64,336	**(101,384)**

ASSETS AND LIABILITIES

	At 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,328,097	1,127,857	1,473,064	1,559,398	**1,443,902**
Total liabilities	(274,409)	(96,929)	(103,886)	(89,869)	**(78,718)**
Total equity	1,053,688	1,030,928	1,369,178	1,469,529	**1,365,184**

A. INVESTMENT PROPERTIES

	Location	Purpose	Approximate gross floor/ saleable area (sq. ft.)	Lease term
1.	Easy Tower Nos. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon	Industrial/ commercial	74,458	Medium
2.	Shops 1, 2, 3 on Ground Floor together with showcase on Ground Floor, First Floor and Second Floor of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon	Commercial	13,544	Medium
3.	6th Floor, Nos. 650-652 Castle Peak Road, and No. 18A Wing Hong Street, Kowloon	Industrial	8,514	Medium
4.	2nd Floor, Nos. 790, 792 and 794 Cheung Sha Wan Road, Kowloon	Industrial	2,997	Medium
5.	Ground Floor, No. 50 Yun Ping Road, Causeway Bay, Hong Kong	Commercial	900	Long
6.	Shop on Ground Floor together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kwun Tong, Kowloon	Commercial	1,220	Medium
7.	Block B1 and portion of Block B of 7B, No. 481 Castle Peak Road Cheung Sha Wan Kowloon	Industrial	6,992	Medium

B. PROPERTIES HELD FOR DEVELOPMENT

	Location	Purpose	Approximate gross site area (sq. ft.)	Percentage of interest	Lease term	Stage of completion
1.	Nos. 1 & 1A, 3 & 3A Victory Avenue, Kowloon (The whole of Kowloon Inland Lot Nos. 1343 and 1344)	Residential	5,001	100%	Long	Under development
2.	Flats 1, 2 and 4 on Ground Floor and Flats 1, 2, 3 and 4 on First Floor and Second Floor, Nos. 313 313A, 313B and 313C, Prince Edward Road West, Kowloon	Residential	7,561	100%	Long	Under development