



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

(Stock Code : 1218)

Annual Report
2009/2010



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BOARD OF DIRECTORS

Executive Directors

Mr. Kwong Jimmy Cheung Tim
(President and Chief Executive Officer)
Ms. Lui Yuk Chu (Vice President)
Ms. Koon Ho Yan, Candy

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
Ms. Koon Ho Yan, Candy

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 Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

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 2010.

FINANCIAL RESULTS

For the year ended 31 March 2010, the Group recorded a turnover of approximately HK\$412,652,000, representing a decrease of approximately 9.9% as compared to approximately HK\$458,068,000 for the year ended 31 March 2009. Gross profit slightly decreased to approximately HK\$76,764,000 from approximately HK\$84,156,000 of last year. Gross profit margin increased from 18.4% to 18.6%.

Profit attributable to shareholders was approximately HK\$187,358,000 as compared to loss attributable to shareholders of approximately HK\$101,384,000 last year. Such profit was largely attributable to (i) gain arising on changes in fair value of the Group's investment properties as a result of the improvement in the property market, which were approximately HK\$87,380,000 (2009: loss of approximately HK\$21,760,000); (ii) gain arising on disposal of subsidiaries relating to the Group's garment sourcing and exporting business, which were approximately HK\$37,374,000 (2009: nil); (iii) increases in fair value of investments held for trading as a result of changes in market sentiment since 31 March 2009, which were approximately HK\$22,065,000 (2009: loss of approximately HK\$60,408,000); (iv) gain arising on disposal of available-for-sale investments, which amounted to approximately HK\$5,459,000 (2009: gain of approximately HK\$3,803,000); and (v) reversal of impairment loss on properties held for development of approximately HK\$25,632,000 (2009: impairment loss of approximately HK\$25,632,000). Basic earnings per share was approximately HK\$2.36 (2009: basic loss per share was approximately HK\$1.28).

Cost of sales decreased by approximately 10.2% to approximately HK\$335,888,000, from approximately HK\$373,912,000 of last year. The total operating expenses decreased by approximately 9.5% to approximately HK\$53,460,000 (2009: approximately HK\$59,093,000).

No finance cost was incurred for the year ended 31 March 2010 (2009: approximately HK\$91,000), as there was no bank borrowing during the year under review.

BUSINESS REVIEW

The financial year ended on 31 March 2010 is a year of change to the Group. Backed by the recovery of economy and the low mortgage rate, property investment and development transactions were turning active during the past year. Therefore, the Group has disposed of garment sourcing and exporting business and repositioned as a property investment and development company in order to facilitate efficient use of resources and manpower. During the year, the Group has finished a number of important property acquisitions to increase its property portfolio. Moving forward, the Group is optimistic about the outlook of its property investment and development business, and will continue to look for property investment and development opportunities with high potential returns.

Garment Sourcing and Exporting

As announced by the Company on 8 December 2009, the Group disposed of its garment sourcing and exporting business to its associate company, Easyknit Enterprises Holdings Limited (SEHK Code: 616), for an aggregate consideration of HK\$80,000,000 (the "Transaction"). As a result of the Transaction, the Group realised a gain of approximately HK\$37,374,000, which was calculated based on the net proceeds of the Transaction of approximately HK\$77,439,000, after taking into account the direct expenses of approximately HK\$2,561,000. Upon the completion of the Transaction, the Group will only have its garment distribution business in the United States of America (the "US"). This part of garment business is not included as part of the Transaction as it has been making losses since the commencement of business in 2001.

During the year under review, the turnover for the Group's business in garment sourcing and exporting decreased 10.5% to approximately HK\$382,685,000 (2009: approximately HK\$427,428,000). It constituted an approximately 92.7% of the Group's total turnover (2009: approximately 93.3%). Profit gained from this segment was approximately HK\$47,773,000 (2009: approximately HK\$11,788,000).

Property Investment and Development

For the year ended 31 March 2010, the property investment and development segments contributed approximately HK\$29,967,000 (2009: approximately HK\$30,640,000) to the Group's total turnover. A gain of approximately HK\$141,649,000 of these segments were recorded (2009: loss of approximately HK\$20,792,000) due to the gain arising on changes in fair value of investment properties of approximately HK\$87,380,000. Rental income from properties increased approximately 5.3% to approximately HK\$29,668,000 (2009: approximately HK\$28,166,000). As at 31 March 2010, the Group's commercial rental properties were 100% leased. Its industrial and residential rental properties continued to maintain a high occupancy rate of approximately 85% and 95% respectively. The building management fee income was approximately HK\$299,000 (2009: approximately HK\$286,000).

Through acquisitions, the Group owns all of the units or 100% of the undivided shares in the building situated on the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A and 311C Prince Edward Road West, Kowloon, Hong Kong). The building is adjacent to the buildings situated on Section B of Kowloon Inland Lot No.1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) and on sub-Section 1 of Section A of Kowloon Inland Lot No.2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) (collectively "Prince Edward Road Building") which acquired by the Group in October 2008 and October 2009 respectively. The Group intends to redevelop the sites together.

In order to expand its property portfolio, the Group acquired during the year three investment properties in Singapore and seven investment properties in Hong Kong at an aggregate consideration of HK\$227,667,000, including the direct expenses of approximately HK\$1,416,000, from Ms. Lui Yuk Chu, the Vice President and an executive director of the Company.

During the year, the Group disposed of the G/F shop together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kowloon to the Urban Renewal Authority at the price of HK\$47,113,000 plus an allowance of HK\$4,711,000.

Geographical Analysis of Turnover

During the year under review, the US continued to be the major market for the garment sourcing and exporting business and contributed approximately 87.0% to the Group's total turnover (2009: approximately 83.0%). Besides the US, Hong Kong and Europe contributed 7.0% and 6.0% respectively to the Group's total turnover.

PROSPECTS

Garment Sourcing and Exporting

At present, the directors do not have any concrete plans to the remaining garment distribution business in the US.

Property Investment and Development

The property investment market in Hong Kong revives quickly after the global economic tsunami. Grasping the business opportunities brought by the increase in demand of property market, the Group completed a number of important acquisitions during the year. These acquisitions together with the existing investment properties held provide a steady and stable rental income for the future of the Group.

As for property development, the Group has acquired all the units of Prince Edward Road Building. The acquisitions will enable the Group to expand its property investment portfolio, and provide the Group with further potential income from property development. On top of that, the pre-sale of the re-development of No. 1 Victory Avenue in Homantin will likely be launched by the end of this year and it is expected that the re-development will be completed by October 2011, which can bring further income to the Group.

The directors are optimistic about the future of Hong Kong and Singapore property market. The directors believe that properties in these regions remain attractive to investors. The Group will continue to look for properties with good potential for investment and development, and create more returns for the Company's shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2010, the Group financed its operations mainly by internally generated resources. As the Group had no bank borrowings as at 31 March 2010 (2009: nil), no gearing ratio of the Group was presented.

The Group continued to sustain a good liquidity position. As at 31 March 2010, the Group had net current assets of approximately HK\$600,445,000 (31 March 2009: approximately HK\$572,613,000) and cash and cash equivalents of approximately HK\$116,555,000 (31 March 2009: approximately HK\$165,147,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 31 March 2010, the current ratio of the Group was approximately 12.0 (31 March 2009: approximately 9.9), which was calculated on the basis of current assets of approximately HK\$655,185,000 (2009: approximately HK\$636,645,000) to current liabilities of approximately HK\$54,740,000 (31 March 2009: approximately HK\$64,032,000). During the year under review, the Group serviced its debts primarily through internally generated resources.

The directors believe that the Group has sufficient financial resources for its operations. The directors 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

At the special general meeting of the Company held on 17 February 2010, the shareholders approved the share consolidation of every ten issued and unissued shares of the Company of HK\$0.01 each into one consolidated share of HK\$0.10 each. The share consolidation became effective on 18 February 2010. Details of the share consolidation were set out in the Company's circular dated 29 January 2010.

Save as disclosed above, the Group has no debt securities or other capital instruments as at 31 March 2010 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had entered into the following material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2010.

As announced by the Company and Easyknit Enterprises Holdings Limited, an associate of the Company, on 25 August 2009, Easyknit Enterprises Holdings Limited proposed to raise approximately HK\$111.6 million before expenses by way of rights issue of 293,699,560 rights shares at a subscription price of HK\$0.38 per rights share on the basis of four rights shares for every share held (the "Rights Issue"). The Company, through Landmark Profits Limited, a wholly owned subsidiary of the Company, had undertaken to Easyknit Enterprises Holdings Limited and the underwriter of the Rights Issue that, among others, the rights shares (representing 93,116,260 rights shares) to be allotted would be taken up in full. The subscription cost amounted to approximately HK\$35.4 million. Landmark Profits Limited did not apply for any excess rights shares. The rights shares were allotted to Landmark Profits Limited on 3 November 2009. Details of the Rights Issue were set out in the Company's announcement dated 25 August 2009.

As announced by the Company on 17 July 2009, the Group acquired the entire issued share capital of Kingbest Capital Holdings Limited ("Kingbest") for a 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. Through the acquisition of Kingbest, the Group acquired the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) (the "Building"). The aggregation consideration for the acquisition of Kingbest and the Building amounted to HK\$66.29 million. The Building is adjacent to the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong) which the Group already acquired. The acquisition was approved by the Company's shareholders at the special general meeting held on 3 September 2009. Details of the transaction were set out in the Company's circular dated 7 August 2009.

As announced by the Company on 16 October 2009, the Group acquired the entire issued share capital of Grow Well Profits Limited ("Grow Well") and Supertop Investment Limited ("Supertop") at an aggregate consideration of HK\$227,667,000, including the direct expenses of approximately HK\$1,416,000, from Ms. Lui Yuk Chu, the Vice President and an executive director of the Company. Through the acquisitions of Grow Well and Supertop, the Group acquired three properties in Singapore and seven properties in Hong Kong respectively. The acquisitions were approved by shareholders of the Company at the special general meeting held on 21 December 2009. Details of the transaction were set out in the Company's circular dated 4 December 2009.

PRESIDENT'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

As announced by the Company on 8 December 2009, the Group disposed its wholly-owned garment sourcing and exporting companies, namely Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited, for total consideration of HK\$80 million. The disposal was approved by the shareholders of the Company at a special general meeting held on 17 February 2010. The completion of the disposal was on 1 March 2010. Details of the transaction were set out in the Company's circular dated 29 January 2010.

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

CHARGES ON GROUP ASSETS

The Group did not have any charges on assets as at 31 March 2010 (31 March 2009: certain investment properties of the Group with carrying amounts of approximately HK\$48,900,000 were pledged to banks to secure the bank borrowings granted to the Group).

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the year ended 31 March 2010, the Group spent approximately HK\$48,000 (2009: approximately HK\$147,000) on acquisition of property, plant and equipment.

As at 31 March 2010, the Group has no capital commitments.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2010 (31 March 2009: the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$9,683,000 were supported by the Company's corporate guarantees given to the bank).

SIGNIFICANT INVESTMENT

As at 31 March 2010, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$72,232,000 (31 March 2009: approximately HK\$33,891,000) and investments held for trading of approximately HK\$69,942,000 (31 March 2009: approximately HK\$93,420,000). 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 gain on fair value changes of investments held for trading of approximately HK\$22,065,000 (2009: loss of approximately HK\$60,408,000), gain on disposal of available-for-sale investments of approximately HK\$5,459,000 (2009: gain of approximately HK\$3,803,000) and no impairment loss on available-for-sale investment (2009: loss of approximately HK\$32,162,000).

The Group disposed on the Stock Exchange 11,100,000 shares, 4,250,000 shares and 14,530,000 shares of Sino Union Energy Investment Group Limited, formerly known as Sino Union Petroleum & Chemical International Limited, on 16 June 2009, 22 June 2009 and 23 June 2009 respectively at the aggregate gross proceeds of HK\$26,094,900 (exclusive of transaction costs).

On 29 July 2009, the Group disposed on the Stock Exchange 734,000 shares of China Life Insurance Company Limited at the aggregate gross proceeds of HK\$25,604,200 (exclusive of transaction costs).

As announced by the Company on 25 August 2009, the Group undertook to subscribe 93,116,260 shares of the rights share of Easyknit Enterprises Holdings Limited at a total consideration of approximately HK\$35.4 million. The shares were allotted to the Group on 3 November 2009. Please refer to the section of "MATERIAL ACQUISITIONS AND DISPOSALS" for details.

On 26 November 2009, the Group acquired on the Stock Exchange 915,000 shares of China Minsheng Banking Corp., Ltd. at a total consideration of approximately HK\$8,308,200 (exclusive of transaction costs), which was subsequently disposed on the Stock Exchange.

Save as disclosed above, the Group did not have any significant investment held or any significant investment plans as at 31 March 2010.

FUTURE PLAN FOR MATERIAL INVESTMENTS

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

SUBSEQUENT EVENTS

As announced by the Company on 24 February 2010, the Group entered into a sale and purchase agreement with an outside individual, who is also the seller of Trump Elegant Investment Limited and Kingbest, to acquire the entire issued share capital of Chief Access Limited ("Chief Access") for a consideration of HK\$5,650,000. The Group also agreed to repay the shareholder's loan owned by Chief Access to the seller, which shall not exceed HK\$9,535,000. Chief Access is a limited liability company incorporated in the British Virgin Islands and is the purchaser under various property purchase agreements. The acquisition of Chief Access will enable the Group to acquire all units in the building situated on the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A and 311C Prince Edward Road West, Kowloon, Hong Kong). The aggregate consideration to complete this transaction is HK\$101 million. This building is adjacent to the Prince Edward Road Building as mentioned in the section of "MATERIAL ACQUISITIONS AND DISPOSALS" above.

In addition, the seller granted to the Group an option to require the seller to purchase from the Group the entire issued share capital of Chief Access 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 (i) HK\$5,650,000; (ii) the sum paid by Chief Access to the seller in full and discharge of the shareholder's loan; and (iii) the total sum paid by Chief Access and the Group. The option may be exercised by the Group by notice in writing to the seller any time on or before 10 July 2010. This proposed acquisition was approved by the shareholders of the Company at a special general meeting held on 12 April 2010. The acquisition of the entire issued share capital of Chief Access was completed on 19 April 2010 and the completion of all property purchase agreements was on or before 10 May 2010.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2010, the number of employees of the Group in Hong Kong and the US was about 13 and 7 respectively. Staff costs (including directors' emoluments) amounted to approximately HK\$25,018,000 for the year under review (2009: approximately HK\$27,910,000). 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 2010

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Kwong Jimmy Cheung Tim

President and Chief Executive Officer

Mr. Kwong, aged 67, 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 52, 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. She is the mother of Ms. Koon Ho Yan, Candy, an executive director of the Company.

Ms. Koon Ho Yan, Candy

Ms. Koon, aged 25, is an executive director of the Company and a member of the Executive Committee of the Board. She graduated from the University of Durham in 2007 with Bachelor of Arts degree in Economics and Politics. She also received her Bachelor of Laws degree and Legal Practice Course qualification in 2009 from the College of Law, England. Ms. Koon is also an executive director and a member of the Executive Committee of the board of directors of Easyknit Enterprises. She serves as director of various subsidiaries of the Company and Easyknit Enterprises. Ms. Koon was appointed to the Board as an executive director in May 2010. Ms. Koon is the daughter of Ms. Lui, the Vice President of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Tse Wing Chiu, Ricky

Mr. Tse, aged 52, 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 of the Company, and resigned as President and Chief Executive Officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsui Chun Kong

Mr. Tsui, aged 59, 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 37 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 61, 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 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 member of the Regional Advisory Committee of Hong Kong Hospital Authority. Mr. Jong has over 40 years of management experience in the financial, industrial and property business. 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 75, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chan Po Cheung

Chief Financial Officer and Company Secretary

Mr. Chan, aged 53, 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 56, 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 28 years of experience in the property development and construction management field.

Miss Leung Siu Mei

Assistant General Manager

Miss Leung, aged 50, 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.

Mr. Chan Chung Shun

Property Manager

Mr. Chan, aged 54, 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.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2010, the Company has applied the principles of, and complied with, all the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for the following deviations. Nevertheless, none of the 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 Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rule 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 2010.

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 seven directors, with three 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

Ms. Koon Ho Yan, Candy (appointed on 5 May 2010)

Non-executive director:

Mr. Tse Wing Chiu, Ricky

Independent non-executive directors:

Mr. Tsui Chun Kong

Mr. Jong Koon Sang

Mr. Hon Tam Chun

The biographical details of the existing directors are set out in the “Biographical Details of Directors and Senior Management” on pages 10 to 12 of this annual report.

Throughout the year ended 31 March 2010, 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, except that Ms Koon Ho Yan, Candy, who was appointed on 5 May 2010, is the daughter of Ms. Lui Yuk Chu, the Vice President of the Company.

The Board met six times during the year ended 31 March 2010. The individual attendance records of the directors at the Board meetings were as follows:

Name of directors	Number of meetings attended	Attendance rate
Executive directors		
Mr. Kwong Jimmy Cheung Tim	6/6	100%
Ms. Lui Yuk Chu	4/6	67%
Non-executive director		
Mr. Tse Wing Chiu, Ricky	6/6	100%
Independent non-executive directors		
Mr. Tsui Chun Kong	6/6	100%
Mr. Jong Koon Sang	6/6	100%
Mr. Hon Tam Chun	6/6	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 2010, one Remuneration Committee meeting was held. The individual attendance records of the committee members were 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 2010 for the Board's approval.

For the year ended 31 March 2010, the main components of the executive directors' remuneration were 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 did not receive any discretionary bonus or other benefits from the Company for the year ended 31 March 2010. But each of them was entitled to a director's fee and was eligible for the Share Option Scheme subject to the approval of the shareholders of the Company.

During the year ended 31 March 2010, 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 2010, two Audit Committee meetings were held. The individual attendance records of the committee members were 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	2/2	100%

During the year ended 31 March 2010, 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 2009 and the interim results for the six months ended 30 September 2009; and (ii) reviewed the financial reports for the year ended 31 March 2009 and for the six months ended 30 September 2009 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 2010.

Executive Committee

On 5 May 2010, Ms. Koon Ho Yan, Candy, was appointed as a member of the Executive Committee.

The Executive Committee currently comprises all the executive directors of the Company, namely Mr. Kwong Jimmy Cheung Tim (Committee Chairman), Ms. Lui Yuk Chu and Ms. Koon Ho Yan, Candy. 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 2010, the audit service fee and non-audit service fees paid/payable to the Auditor were approximately HK\$1,373,000 and HK\$3,804,000, respectively. The non-audit services mainly related to review of interim results, taxation services, preliminary results announcement and review of the financial information for the major transaction on disposal of property, the two very substantial acquisitions of subsidiaries for property investments and development and the very substantial disposal of subsidiaries relating to the Group's garment sourcing and exporting business.

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.

There was no change to the composition of the Board during the year ended 31 March 2010.

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 27 and 28.

The Auditor did not report for the year ended 31 March 2010 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 2010. 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 2010. 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 Code, all annual general meetings shall be called by at least 20 clear business days' notice, whilst other general meetings shall be called by at least 10 clear business days' notice. All resolutions at general meetings are dealt with by poll. 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 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements.

During the year, the Group disposed of the entire issued share capital of each of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited (collectively the "Garment Trading Companies"), which are principally engaged in garment sourcing and exporting, for a consideration of HK\$80 million.

RESULTS

The results of the Group are set out in the consolidated statement of comprehensive income on pages 29 and 30.

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 23% and 90%, 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 71% and 88%, 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 33 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$48,000 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 2010 by independent professional property valuers and the gain arising on changes in fair value of investment properties, which had been charged directly to profit or loss, amounted to approximately HK\$87,380,000. 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 2010 are set out in note 41 to the consolidated financial statements.

PRINCIPAL ASSOCIATES

The details of the Group's principal associates at 31 March 2010 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 2010 were as follows:

	HK\$'000
Contributed surplus	269,305
Accumulated profits	980,746
	<hr/>
	1,250,051
	<hr/> <hr/>

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

Koon Ho Yan, Candy (appointed on 5 May 2010)

Non-executive director:

Tse Wing Chiu, Ricky

Independent non-executive directors:

Tsui Chun Kong

Jong Koon Sang

Hon Tam Chun

In accordance with the Company's Bye-law 99, Mr. Kwong Jimmy Cheung Tim 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), Ms. Koon Ho Yan, Candy will hold office until the forthcoming annual general meeting of the Company and, being eligible, has offered herself 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

Save as disclosed in paragraphs (a) and (c) of the section headed "Connected Transactions" below, 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

Save as disclosed in the section headed "Connected Transactions" below, 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, and 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 2010, 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	29,179,480	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	116,395,325	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 2010, 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 and movement of options during the year are set out in note 34 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 2010 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 2010, 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	29,179,480	36.74%
Magical Profits Limited (notes i & ii)	Beneficial owner	29,179,480	36.74%
Accumulate More Profits Limited (note i)	Interest of controlled corporation	29,179,480	36.74%
Hang Seng Bank Trustee International Limited (notes i & iii)	Trustee	29,179,480	36.74%
Hang Seng Bank Limited (note iii)	Interest of controlled corporation	29,179,480	36.74%
The Hongkong and Shanghai Banking Corporation Limited (note iii)	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings BV (note iii)	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings (UK) (note iii)	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings BV (note iii)	Interest of controlled corporation	29,179,480	36.74%
HSBC Finance (Netherlands) (note iii)	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings plc (note iii)	Interest of controlled corporation	29,179,480	36.74%

Notes:

- (i) The 29,179,480 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 29,179,480 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. 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 2010, 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.

CONNECTED TRANSACTIONS

- (a) During the year, the Group entered into two separate sale and purchase agreements with Ms. Lui Yuk Chu, a director of the Company, to acquire the entire issued share capital of each of Supertop Investment Limited ("Supertop") and Grow Well Profits Limited ("Grow Well") together with settlement of the interest-free shareholders' loans and bank borrowings owed by Supertop and Grow Well for a total consideration of HK\$226,251,000. Grow Well owns investment properties in Singapore, and Supertop, through its wholly-owned subsidiary, owns investment properties in Hong Kong. Details of these transactions, which were completed on 22 December 2009, are set out in note 36 to the consolidated financial statements.
- (b) During the year, the Group entered into an agreement with Quick Easy Limited for the disposal of the entire issued share capital of the Garment Trading Companies for a consideration of HK\$80 million. Quick Easy Limited, being purchaser of this transaction, is a wholly-owned subsidiary of Easyknit Enterprises. Details of this transaction, which was completed on 1 March 2010, are set out in note 37 to the consolidated financial statements.
- (c) During the year, the Company entered into a consultancy agreement with Mr. Koon Wing Yee for consultancy services provided by Mr. Koon Wing Yee to the Group for a fee of HK\$498,000 per annum which shall be payable in arrears by twelve monthly instalments of HK\$41,500 each. The consultancy agreement is for a period of one year commencing on 15 January 2010 but may be terminated by either party at any time by one month's notice. Mr. Koon Wing Yee is the spouse of Ms. Lui Yuk Chu, who is a director of the Company and also a director of Magical Profits Limited. Consultancy fee paid and payable to Mr. Koon Wing Yee during the year amounted to HK\$103,750.

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 2010.

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 34 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.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event occurring after the reporting period are set out in note 42 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 2010



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 29 to 100 which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

INDEPENDENT AUDITOR'S REPORT

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 2010 and of the Group's profit 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 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Turnover	7	412,652	458,068
Cost of sales		(335,888)	(373,912)
Gross profit		76,764	84,156
Other income		13,415	18,025
Distribution and selling expenses		(9,602)	(9,805)
Administrative expenses		(43,858)	(49,288)
Impairment loss on available-for-sale investments	9	—	(32,162)
Reversal of impairment loss (impairment loss) on properties held for development	10	25,632	(25,632)
Gain (loss) arising on changes in fair value of investment properties		87,380	(21,760)
Gain (loss) on fair value changes of investments held for trading		22,065	(60,408)
Gain on fair value change of structured deposit		1,047	795
Gain on disposal of subsidiaries	37	37,374	—
Gain on disposal of available-for-sale investments		5,459	3,803
Gain on partial disposal of interests in associates	11	—	1,021
Share of results of associates		(5,655)	(15,044)
Finance costs - interest on bank borrowings wholly repayable within five years		—	(91)
Profit (loss) before taxation	12	210,021	(106,390)
Taxation (charge) credit	14	(22,663)	5,006
Profit (loss) for the year attributable to owners of the Company		187,358	(101,384)
Other comprehensive income (expense)			
Change in fair value of available-for-sale investments		44,503	(32,385)
Reclassification adjustment relating to disposal of available-for-sale investments		(5,459)	(3,803)
Reclassification adjustment relating to impairment loss on available-for-sale investments		—	32,162
Exchange difference arising on translation of foreign operations		548	(33)
Share of translation reserve of associates		—	1,098
Share of other comprehensive income of associates		12,878	—
Fair value gain on leasehold properties transferred to investment properties		12,299	—
Deferred tax liabilities arising from fair value gain on leasehold properties transferred to investment properties		(2,029)	—
Other comprehensive income (expense) for the year (net of tax) attributable to owners of the Company		62,740	(2,961)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	NOTE	2010 HK\$'000	2009 HK\$'000
Total comprehensive income (expense) for the year attributable to owners of the Company		<u>250,098</u>	<u>(104,345)</u>
			(Restated)
Basic earnings (loss) per share	16	<u>HK\$2.36</u>	<u>HK\$(1.28)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Property, plant and equipment	18	2,335	15,489
Properties held for development	19	—	99,000
Investment properties	20	866,372	544,920
Intangible asset	21	—	921
Interests in associates	22	138,048	113,036
Available-for-sale investments	23	72,232	33,891
Loans receivable	27	10,000	—
		<u>1,088,987</u>	<u>807,257</u>
Current assets			
Properties held for development	19	400,605	181,204
Investments held for trading	24	69,942	93,420
Inventories	25	945	3,490
Trade and other receivables	26	7,938	44,060
Loans receivable	27	59,200	86,068
Bills receivable	28	—	39,180
Tax recoverable		—	31
Structured deposit	29	—	24,045
Bank balances and cash	30	116,555	165,147
		<u>655,185</u>	<u>636,645</u>
Current liabilities			
Trade and other payables	31	30,745	28,692
Bills payable	32	—	9,683
Tax payable		23,995	25,657
		<u>54,740</u>	<u>64,032</u>
Net current assets		<u>600,445</u>	<u>572,613</u>
		<u><u>1,689,432</u></u>	<u><u>1,379,870</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Capital and reserves			
Share capital	33	7,942	7,942
Reserves		<u>1,607,340</u>	<u>1,357,242</u>
		1,615,282	1,365,184
Non-current liabilities			
Deferred taxation	35	<u>74,150</u>	<u>14,686</u>
		<u>1,689,432</u>	<u>1,379,870</u>

The consolidated financial statements on pages 29 to 100 were approved and authorised for issue by the Board of Directors on 20 July 2010 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 2010

	Attributable to owners 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 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)
Released on disposal of available-for-sale investments	—	—	—	—	—	—	(3,803)	—	—	(3,803)
Impairment loss on available-for-sale investments	—	—	—	—	—	—	32,162	—	—	32,162
Share of translation reserve of associates	—	—	—	1,098	—	—	—	—	—	1,098
Exchange difference on translation of foreign operations	—	—	—	(33)	—	—	—	—	—	(33)
Loss for the year	—	—	—	—	—	—	—	—	(101,384)	(101,384)
Total comprehensive income (expense) for the year	—	—	—	1,065	—	—	(4,026)	—	(101,384)	(104,345)
At 31 March 2009 and 1 April 2009	7,942	218,330	196,565	7,429	9,800	220,937	—	2,521	701,660	1,365,184
Change in fair value of available-for-sale investments	—	—	—	—	—	—	44,503	—	—	44,503
Released on disposal of available-for-sale investments	—	—	—	—	—	—	(5,459)	—	—	(5,459)
Share of other comprehensive income of associates	—	—	—	—	—	—	—	12,878	—	12,878
Exchange difference on translation of foreign operations	—	—	—	548	—	—	—	—	—	548
Fair value gain on leasehold properties transferred to investment properties	—	—	—	—	—	—	—	12,299	—	12,299
Deferred tax liabilities arising from fair value gain on leasehold properties transferred to investment properties	—	—	—	—	—	—	—	(2,029)	—	(2,029)
Profit for the year	—	—	—	—	—	—	—	—	187,358	187,358
Total comprehensive income for the year	—	—	—	548	—	—	39,044	23,148	187,358	250,098
At 31 March 2010	7,942	218,330	196,565	7,977	9,800	220,937	39,044	25,669	889,018	1,615,282

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

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 (i) the gain on revaluation of certain leasehold properties of the Group, and (ii) share of the gain on revaluation of prepaid lease payments and property, plant and equipment of the Group's associates, both arisen from the transfer of the Group's leasehold properties or associates' prepaid lease payment and property, plant and equipment to investment properties.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK\$'000	2009 HK\$'000
Cash flows from operating activities		
Profit (loss) before taxation	210,021	(106,390)
Adjustments for:		
Share of results of associates	5,655	15,044
Interest income	(5,490)	(11,211)
Interest expense	—	91
Depreciation of property, plant and equipment	510	1,086
Amortisation of land portion of properties held for development	2,104	899
Loss on disposal of club debenture	139	—
Impairment loss on available-for-sale investments (Reversal of impairment loss) impairment loss on properties held for development	— (25,632)	32,162 25,632
Gain on disposal of available-for-sale investments	(5,459)	(3,803)
Dividend income from listed investments	(3,814)	(5,591)
(Gain) loss on fair value changes of investments held for trading	(22,065)	60,408
(Gain) loss arising on changes in fair value of investment properties	(87,380)	21,760
Gain on fair value change of structured deposit	(1,047)	(795)
Gain on disposal of subsidiaries	(37,374)	—
Gain on partial disposal of interests in associates	—	(1,021)
Operating cash flows before movements in working capital	30,168	28,271
Increase in properties held for development	(88,263)	(106,638)
Decrease in deposits for acquisition of properties held for development	(8,610)	(21,510)
Decrease in properties held for sale	—	1,822
Decrease (increase) in investments held for trading	45,543	(14,795)
Decrease (increase) in inventories	2,545	(548)
Decrease (increase) in trade and other receivables	23,100	(11,917)
Decrease in loans receivable	16,868	48,015
Decrease (increase) in bills receivable	13,065	(8,354)
Increase (decrease) in trade and other payables	17,209	(11,790)
(Decrease) increase in bills payable	(8,650)	6,117
Cash from (used in) operations	42,975	(91,327)
Hong Kong Profits Tax paid	(32)	(135)
Hong Kong Profits Tax refunded	307	—
Loan interest received	5,322	7,658
Dividend received from investments held for trading	2,216	2,663
Net cash from (used in) operating activities	50,788	(81,141)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Cash flows from investing activities			
Disposal of subsidiaries	37	77,024	—
Proceeds from disposal of investment properties		51,773	—
Proceeds on maturity of structured deposit		25,092	—
Proceeds from disposal of available-for-sale investments		6,162	13,536
Dividend received from available-for-sale investments		1,598	2,928
Proceeds from disposal of club debenture		782	—
Bank interest received		168	3,553
Acquisition of subsidiaries	36	(226,778)	—
Capital contribution to associates		(35,135)	(31,523)
Purchase of property, plant and equipment		(48)	(147)
Purchase of structured deposit		—	(23,250)
Net cash used in investing activities		(99,362)	(34,903)
Cash used in financing activities			
Interest paid		—	(91)
Net decrease in cash and cash equivalents		(48,574)	(116,135)
Cash and cash equivalents at beginning of the year		165,147	281,315
Effect of foreign exchange rate changes		(18)	(33)
Cash and cash equivalents at end of the year, represented by bank balances and cash		116,555	165,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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. The principal activities of the Company’s subsidiaries are set out in note 41.

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 Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations (“INTs”) (collectively “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) “Presentation of financial statements”

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 “Operating segments”

HKFRS 8 is a disclosure standard and has not resulted in a redesignation of the Group’s reportable segments (see note 8).

Improving disclosures about financial instruments (Amendments to HKFRS 7 “Financial instruments: Disclosures”)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new or revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKAS 24 (Revised)	Related party disclosures ⁶
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ⁵
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁴
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ⁶
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁴
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁸
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ⁷

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

New and revised HKFRSs in issue but not yet effective – continued

- ¹ Effective for annual periods beginning on or after 1 July 2009.
- ² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
- ³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
- ⁴ Effective for annual periods beginning on or after 1 January 2010.
- ⁵ Effective for annual periods beginning on or after 1 February 2010.
- ⁶ Effective for annual periods beginning on or after 1 July 2010.
- ⁷ Effective for annual periods beginning on or after 1 January 2011.
- ⁸ Effective for annual periods beginning on or after 1 January 2013.

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 Group’s annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from the Group’s annual reporting period beginning on or after 1 April 2013, with earlier application permitted. This Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

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 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 returns and 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 properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers.

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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. 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 or valuation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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 profit or loss in the period in which the item is derecognised.

Investment properties

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

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

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 profit or loss in the period in which the item is derecognised.

Properties held for development

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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.

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

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

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 other comprehensive income and accumulated in investment revaluation reserve.

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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables 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 other comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 accounting policy on impairment of intangible assets below).

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

Impairment of intangible assets with indefinite useful lives

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 with indefinite useful lives)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(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 actual future cash flows are less than the original estimated cash flows of loans receivable, additional allowances would be required.

(b) Impairment loss on properties held for development

Management reviews the recoverability of the Group's properties held for development amounting to HK\$400,605,000 (2009: HK\$280,204,000) 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. When the carrying amount of the Group's properties held for development is increased to its revised 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 in prior years, a reversal of an impairment loss is immediately recognised as income in profit or loss. 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 or an increase in the net realisable value or recoverable amount of the properties held for development and additional write-down or additional reversal of impairment loss previously recognised may be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2010 HK\$'000	2009 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	7,357	17,182
Loans receivable	69,200	86,068
Bills receivable	—	39,180
Bank balances and cash	116,555	165,147
	<u>193,112</u>	<u>307,577</u>
Fair value through profit or loss		
Investments held for trading	69,942	93,420
Designated at fair value through profit or loss - structured deposit (note)	—	24,045
	<u>69,942</u>	<u>117,465</u>
Available-for-sale financial assets		
Available-for-sale investments	72,232	33,891
	<u>72,232</u>	<u>33,891</u>
Financial liabilities		
Amortised cost		
Trade and other payables	24,368	23,773
Bills payable	—	9,683
	<u>24,368</u>	<u>33,456</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS – continued

a. Categories of financial instruments – continued

Note:

	2010 HK\$'000	2009 HK\$'000
Difference between carrying amount and outstanding principal amount		
At fair value	—	24,045
Outstanding principal at the end of the reporting period	—	(23,250)
	—	795

b. Financial risk management objectives and policies

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

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans receivable (see note 27 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.

No sensitivity analysis has been presented for the years ended 31 March 2010 and 2009 as all loans receivable are at fixed interest rate during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 86% of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale, whilst all of the Group's purchases are denominated in the group entities' functional currency.

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

	Assets		Liabilities	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
United States dollars ("USD")	30,831	96,476	—	192
Euro	2	338	—	—
Renminbi ("RMB")	—	795	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Market risk – continued

(ii) Currency risk – continued

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% (2009: 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 an increase in profit for the year ended 31 March 2010 or a decrease in loss for the year ended 31 March 2009 where HKD weaken 5% (2009: 5%) against Euro. For a 5% strengthening of HKD against Euro, there would be an equal and opposite impact in the profit for the year ended 31 March 2010 or the loss for the year ended 31 March 2009 and the balances below would be negative.

	HK\$'000
Profit for the year ended 31 March 2010 would increase by	—
Loss for the year ended 31 March 2009 would decrease by	14

At 31 March 2009, the Group was also exposed to the exchange rate risk on USD against RMB for the structured deposit as the return of which was 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 balance below would be negative.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

If the prices of the listed equity securities classified as investments held for trading had been 10% (2009: 10%) higher/lower, profit for the year ended 31 March 2010 would increase/decrease by HK\$5,840,000 (loss for the year ended 31 March 2009 would decrease/increase by HK\$7,801,000) as a result of the changes in fair value of investments held for trading.

If the prices of the listed equity securities classified as available-for-sale investments had been 10% (2009: 10%) higher/lower, the investment revaluation reserve would increase/decrease by HK\$7,223,000 (2009: nil) and loss for the year ended 31 March 2009 would decrease/increase by HK\$3,389,000 (2010: nil) as a result of the changes in fair value of available-for-sale investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 March 2010 and 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In view of nature of garment business, the Group has targeted on the market of cotton-based knitted garments for infants, children and women. The Group has concentration of credit risk as the Group's trade receivables as at 31 March 2010 of HK\$5,848,000 (2009: HK\$11,704,000) was due from a few customers. At 31 March 2010, all trade receivables were not yet past due except for approximately 13% (2009: 13%) of these trade receivables were past due but not impaired at the end of the reporting period. The management considers that the credit risk of these trade receivables is minimal as all are with long business relationship. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover overdue debts. In addition, the management has reviewed the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Credit risk – continued

The Group also has concentration of credit risk in relation to loans receivable from a few borrowers amounting to HK\$69,200,000 at 31 March 2010 (2009: HK\$86,068,000). The largest borrower of the Group by itself and together with the other four largest borrowers of the Group accounted for approximately 14.5% and 56.2% respectively (2009: 10.5% and 45.3% respectively) of the Group's loans receivable at 31 March 2010. At 31 March 2010 and 2009, all loans receivables 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 credit risk on its liquid funds at the end of the reporting period and also has concentration of credit risk in relation to the structured deposit due from a bank at 31 March 2009. In the opinion of the directors of the Company, the credit risk on liquid funds and structured deposit is limited because majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

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

At 31 March 2009, the Group had available unutilised bank loan facilities of HK\$25,317,000 (2010: nil).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

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
2010					
Non-derivative financial liabilities					
Trade and other payables	N/A	<u>12,816</u>	<u>11,552</u>	<u>24,368</u>	<u>24,368</u>
2009					
Non-derivative financial liabilities					
Trade and other payables	N/A	13,847	9,926	23,773	23,773
Bills payable	N/A	<u>9,683</u>	<u>—</u>	<u>9,683</u>	<u>9,683</u>
		<u>23,530</u>	<u>9,926</u>	<u>33,456</u>	<u>33,456</u>

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS – continued

c. Fair value – continued

Fair value measurements recognised in the consolidated statement of financial position

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

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

	Level 1 and total HK\$'000
At 31 March 2010	
Available-for-sale investments	
Listed equity securities	72,232
Investments held for trading	69,942
	<u>142,174</u>

7. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of returns and discounts, 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:

	2010 HK\$'000	2009 HK\$'000
Sales of goods	382,685	427,428
Rental income	29,668	28,166
Building management fee income	299	286
Sales of properties	—	2,188
	<u>412,652</u>	<u>458,068</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. The Group’s primary reporting format under HKAS 14 in previous years was business segments. The Group is currently organised into five main operating divisions - (i) garment sourcing and exporting, (ii) property investments, (iii) property development, (iv) investment in securities and (v) loan financing. The directors of the Company consider that the adoption of HKFRS 8 has not resulted in a redesignation of the reportable segments for the Group compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment information.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. SEGMENT INFORMATION – continued

(a) Segment revenue and results

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

Year ended 31 March 2010

	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
SEGMENT REVENUE							
External	382,685	29,967	—	—	—	—	412,652
Inter-segment	—	2,767	—	—	—	(2,767)	—
Total	382,685	32,734	—	—	—	(2,767)	412,652
RESULT							
Segment result	47,773	118,226	23,423	31,338	5,233	(4,771)	221,222
Unallocated corporate income							1,172
Unallocated corporate expenses							(6,718)
Share of results of associates							(5,655)
Profit before taxation							210,021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. SEGMENT INFORMATION – continued

(a) Segment revenue and results – continued

Year ended 31 March 2009

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. SEGMENT INFORMATION – continued

(b) Segment assets and liabilities

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

At 31 March 2010

	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	6,959	867,508	400,705	142,174	69,869	1,487,215
Interests in associates						138,048
Bank balances and cash						116,555
Unallocated corporate assets						2,354
Consolidated total assets						<u>1,744,172</u>
LIABILITIES						
Segment liabilities	8,154	16,567	4,399	—	42	29,162
Tax payable						23,995
Deferred taxation						74,150
Unallocated corporate liabilities						1,583
Consolidated total liabilities						<u>128,890</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. SEGMENT INFORMATION – continued

(b) Segment assets and liabilities – continued

At 31 March 2009

	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
Structured deposits						24,045
Bank balances and cash						165,147
Unallocated corporate assets						16,131
Consolidated total assets						<u>1,443,902</u>
LIABILITIES						
Segment liabilities	21,716	14,778	1,237	—	39	37,770
Tax payable						25,657
Deferred taxation						14,686
Unallocated corporate liabilities						605
Consolidated total liabilities						<u>78,718</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. SEGMENT INFORMATION – continued

(c) Other segment information – continued

Year ended 31 March 2010

	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	32	16	—	—	—	48
Amortisation of land portion of properties held for development	—	—	2,104	—	—	2,104
Depreciation of property, plant and equipment	149	361	—	—	—	510
Loan interest income	—	—	—	—	5,322	5,322
Gain on disposal of available-for-sale investments	—	—	—	5,459	—	5,459
Gain arising on changes in fair value of investment properties	—	87,380	—	—	—	87,380
Gain on fair value changes of investments held for trading	—	—	—	22,065	—	22,065
Gain on disposal of subsidiaries	37,374	—	—	—	—	37,374
Reversal of impairment loss on properties held for development	—	—	25,632	—	—	25,632
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. SEGMENT INFORMATION – continued

(c) Other segment information – continued

Year ended 31 March 2009

	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
Loan interest income	—	—	—	—	7,658	7,658
Gain on disposal of available-for-sale investments	—	—	—	3,803	—	3,803
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. SEGMENT INFORMATION – continued

(d) Geographical information

The Group's operations are located in Hong Kong (place of domicile), Singapore and the United States of America ("USA").

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

	Turnover	
	2010 HK\$'000	2009 HK\$'000
Hong Kong	29,083	30,640
The People's Republic of China, excluding Hong Kong (the "PRC")	79	718
USA	357,974	380,294
Europe	24,632	34,271
Singapore	884	—
Mexico	—	12,145
	412,652	458,068

An analysis of the carrying amount of the Group's non-current assets (excluding interests in associates, available-for-sale investments and loans receivable), analysed by the geographical area in which the assets are located is as follows:

	Carrying amount of non-current assets	
	2010 HK\$'000	2009 HK\$'000
Hong Kong	725,361	660,204
Singapore	143,262	—
USA	84	126
	868,707	660,330

(e) Information about major customers

For the years ended 31 March 2010 and 2009, turnover from one of the Group's customers under the garment sourcing and exporting segment amounting to HK\$294,473,000 and HK\$282,086,000, respectively, had individually accounted for over 10% of the Group's total turnover for the year. Save as disclosed above, none of the customers of the Group contributed more than 10% of the total turnover for the years ended 31 March 2010 and 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 (2010: nil) was recognised in profit or loss as a result of significant or prolonged decline in fair value of certain of the Group's listed equity investments below their costs.

10. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) ON PROPERTIES HELD FOR DEVELOPMENT

During the years ended 31 March 2010 and 2009, the Group undertook review of its development projects to assess their net realisable value with reference to valuations made by independent qualified professional property valuers as at 31 March 2010 and 2009 by using the residual valuation method.

An impairment loss of HK\$25,632,000 (2010: nil) was recognised in profit or loss during the year ended 31 March 2009 after considering the impact of the property market conditions since the financial crisis occurred in October 2008 and decline in market value of the properties held for development during that year.

Due to improvement in the property market conditions during the year ended 31 March 2010, the recoverable amount of the properties held for development, which was impaired in previous year, was greater than its carrying amount as at 31 March 2010. As a result, a reversal of impairment loss previously recognised amounting to HK\$25,632,000 (2009: nil) was recognised as income in profit or loss during the year.

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 (2010: nil) was recognised in profit or loss during the year ended 31 March 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. PROFIT (LOSS) BEFORE TAXATION

	2010 HK\$'000	2009 HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration (note 13(a))	4,055	4,148
Other staff costs, including retirement benefits costs	20,963	23,762
Total staff costs	25,018	27,910
Amortisation of land portion of properties held for development	2,104	899
Auditor's remuneration:		
- current year	1,200	1,019
- underprovision in prior years	173	279
Cost of inventories recognised as an expense	335,888	372,090
Cost of properties sold	—	1,822
Depreciation of property, plant and equipment	510	1,086
Exchange loss, net	—	4,679
Loss on disposal of club debenture	139	—
and after crediting to other income:		
Exchange gain, net	756	—
Dividend income from listed investments	3,814	5,591
Interest income	5,490	11,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 2010 are as follows:

	Executive director		Non-executive director	Independent non-executive director			Total
	Kwong Jimmy Cheung Tim HK\$'000	Lui Yuk Chu HK\$'000	Tse Wing Chiu, Ricky HK\$'000	Jong Koon Sang HK\$'000	Tsui Chun Kong HK\$'000	Hon Tam Chun HK\$'000	
Fees	—	—	100	100	100	100	400
Other emoluments							
- salaries and other benefits	960	2,623	—	—	—	—	3,583
- retirement benefits schemes contributions	12	60	—	—	—	—	72
Total directors' emoluments	972	2,683	100	100	100	100	4,055

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

Notes:

- (i) Mr. Wong Sui Wah, Michael resigned on 25 August 2008.
- (ii) Mr. Hon Tam Chun was appointed on 25 August 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(b) Information regarding employees' emoluments

The five highest paid individuals of the Group during the year included two (2009: two) directors. The emoluments of the remaining three (2009: three) highest paid individuals, not being directors, are as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries and other benefits	2,945	3,114
Retirement benefits schemes contributions	70	78
	<u>3,015</u>	<u>3,192</u>

The emoluments of these employees fall within the following bands:

	Number of employees	
	2010	2009
Nil to HK\$1,000,000	2	1
HK\$1,000,001 - HK\$1,500,000	1	2
	<u>3</u>	<u>3</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

14. TAXATION CHARGE (CREDIT)

	2010 HK\$'000	2009 HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax:		
Charge for the year	—	2,208
Overprovision in prior years	(2,184)	(57)
	<u>(2,184)</u>	<u>2,151</u>
Taxation arising in other jurisdictions:		
Charge for the year	200	—
	<u>(1,984)</u>	<u>2,151</u>
Deferred taxation (note 35)		
Charge (credit) for the year	24,647	(5,908)
Attributable to change in tax rate	—	(1,249)
	<u>24,647</u>	<u>(7,157)</u>
Tax charge (credit) attributable to the Company and its subsidiaries	<u><u>22,663</u></u>	<u><u>(5,006)</u></u>

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 taxation for the year ended 31 March 2009 and the deferred tax balances have also been adjusted in that year to reflect the change in tax rate.

Hong Kong Profits Tax was provided at 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the estimated assessable profit for the year is wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

14. TAXATION CHARGE (CREDIT) – continued

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

	2010 HK\$'000	2009 HK\$'000
Profit (loss) before taxation	<u>210,021</u>	<u>(106,390)</u>
Tax charge (credit) of Hong Kong Profits Tax at 16.5% (2009: 16.5%)	34,653	(17,554)
Tax effect of expenses not deductible for tax purposes	6,281	15,417
Tax effect of income not taxable for tax purposes	(14,337)	(2,331)
Tax effect of share of results of associates	933	2,482
Tax effect of tax losses not recognised	616	1,177
Tax effect of utilisation of tax losses previously not recognised	(2,812)	(2,515)
Release of deferred taxation arising from disposal of an investment property	(580)	—
Overprovision in prior years	(2,184)	(57)
Effect of different tax rate of subsidiaries operating in other jurisdictions	93	—
Decrease in opening deferred tax liabilities resulting from decrease in tax rate	—	(1,249)
Others	—	(376)
Taxation charge (credit) for the year	<u>22,663</u>	<u>(5,006)</u>

15. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

16. BASIC EARNINGS (LOSS) PER SHARE

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

	2010 HK\$'000	2009 HK\$'000
Earnings (loss) for the purposes of calculating basic earnings (loss) per share	<u>187,358</u>	<u>(101,384)</u>
	2010	2009 (Restated)
Number of shares		
Number of shares for the purposes of calculating basic earnings (loss) per share	<u>79,420,403</u>	<u>79,420,403</u>

The denominator for the purpose of calculating basic loss per share for the year ended 31 March 2009 has been adjusted to reflect the consolidation of shares in February 2010 on the basis of ten ordinary shares being consolidated into one ordinary share.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

17. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group received rental income of HK\$376,000 (2009: HK\$376,000) from 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 and a substantial shareholder of the Company, and her spouse, Mr. Koon Wing Yee.
- (b) During the year, the Group had the following transactions with wholly-owned subsidiaries of Easyknit Enterprises, an associate of the Group, in which Ms. Lui Yuk Chu, a director and a substantial shareholder of the Company, has beneficial interest:

	2010 HK\$'000	2009 HK\$'000
Purchase of garments	999	—
Administrative service fee income	220	240
Rental income	213	—
	<u> </u>	<u> </u>

At the end of the reporting period, amounts due to these entities comprise:

	2010 HK\$'000	2009 HK\$'000
Trade payables	7,162	—
	<u> </u>	<u> </u>

- (c) During the year, the Group entered into an agreement with Quick Easy Limited for the disposal of the entire issued share capital of each of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited (collectively the “Garment Trading Companies”), which were wholly-owned subsidiaries of the Company and principally engaged in garment sourcing and exporting, for a consideration of HK\$80 million. Quick Easy Limited, being purchaser of this transaction, is a wholly-owned subsidiary of Easyknit Enterprises. Details of this transaction are set out in note 37.
- (d) During the year, the Group entered into two separate sale and purchase agreements with Ms. Lui Yuk Chu, a director and a substantial shareholder of the Company, to acquire the entire issued share capital of each of Supertop Investment Limited (“Supertop”) and Grow Well Profits Limited (“Grow Well”) together with settlement of the interest-free shareholders’ loans and bank borrowings owed by Supertop and Grow Well for a total consideration of HK\$226,251,000. Details of these transactions are set out in note 36.
- (e) During the year, the Company entered into a consultancy agreement with Mr. Koon Wing Yee for consultancy services provided by Mr. Koon Wing Yee to the Group for a fee of HK\$498,000 per annum which shall be payable in arrears by twelve monthly instalments of HK\$41,500 each. The consultancy agreement is for a period of one year commencing on 15 January 2010 but may be terminated by either party at any time by one month’s notice. Mr. Koon Wing Yee is the spouse of Ms. Lui Yuk Chu, a director and a substantial shareholder of the Company. Consultancy fee paid and payable to Mr. Koon Wing Yee during the year amounted to HK\$103,750.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

17. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS – continued

(f) Compensation of key management personnel

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

	2010 HK\$'000	2009 HK\$'000
Short-term employee benefits	7,067	8,183
Post employment benefits	154	207
	<u>7,221</u>	<u>8,390</u>

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)	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST OR VALUATION				
At 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
Additions	—	48	—	48
Fair value change on revaluation upon reclassification of leasehold properties to investment properties	(5,150)	—	—	(5,150)
Eliminated on disposal of subsidiaries (note 37)	—	(9,856)	(2,717)	(12,573)
Reclassified to investment properties (note 20)	(23,850)	—	—	(23,850)
At 31 March 2010	3,319	3,263	—	6,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

18. PROPERTY, PLANT AND EQUIPMENT – continued

	Leasehold properties HK\$'000 (note)	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Comprising:				
At 31 March 2009				
At cost	3,319	13,071	2,717	19,107
At valuation - 1995	29,000	—	—	29,000
	<u>32,319</u>	<u>13,071</u>	<u>2,717</u>	<u>48,107</u>
At 31 March 2010				
At cost	3,319	3,263	—	6,582
ACCUMULATED DEPRECIATION				
At 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
Provided for the year	342	61	107	510
Eliminated on revaluation	(17,449)	—	—	(17,449)
Eliminated on disposal of subsidiaries (note 37)	—	(9,510)	(1,922)	(11,432)
At 31 March 2010	<u>1,113</u>	<u>3,134</u>	<u>—</u>	<u>4,247</u>
CARRYING VALUES				
At 31 March 2010	<u>2,206</u>	<u>129</u>	<u>—</u>	<u>2,335</u>
At 31 March 2009	<u>14,099</u>	<u>488</u>	<u>902</u>	<u>15,489</u>

Note: Owner-occupied leasehold land situated in Hong Kong is included in leasehold properties as the allocation between the land and building elements cannot be made reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

18. PROPERTY, PLANT AND EQUIPMENT – continued

In March 2010, the Group started to lease out a portion of the leasehold properties to a wholly-owned subsidiary of Easyknit Enterprises for rental income. The leasehold properties were transferred to investment properties and measured at fair value at the date of transfer accordingly. The fair value of the leasehold properties at the date of transfer to investment properties is HK\$23,850,000. The gain on revaluation, amounting to HK\$12,299,000, is credited to the property revaluation reserve directly. Details of the valuation are set out in note 20.

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:

	2010 HK\$'000	2009 HK\$'000
Properties held on medium-term lease in Hong Kong	<u>2,206</u>	<u>14,099</u>

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 as at 31 March 2009 would have been stated at HK\$17,700,000 (2010: nil).

19. PROPERTIES HELD FOR DEVELOPMENT

	2010 HK\$'000	2009 HK\$'000
Carrying amount of properties held for development:		
Non-current assets	—	99,000
Current assets	<u>400,605</u>	<u>181,204</u>
	<u>400,605</u>	<u>280,204</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

19. PROPERTIES HELD FOR DEVELOPMENT – continued

Movements of properties held for development are as follows:

	Notes	HK\$'000
At 1 April 2008		178,587
Acquired from acquisition of a subsidiary	(a)	22,267
Additions	(b)	105,881
Impairment loss recognised in profit or loss (note 10)		(25,632)
Amortisation of land portions of properties held for development		(899)
At 31 March 2009		280,204
Acquired from acquisition of a subsidiary	(c)	2,440
Additions	(d)	94,433
Reversal of impairment loss recognised in profit or loss (note 10)		25,632
Amortisation of land portions of properties held for development		(2,104)
At 31 March 2010		400,605

Notes:

- (a) During the year ended 31 March 2009, the Group entered into a sale and purchase agreement with an outside individual to acquire the entire issued share capital of Trump Elegant Investment Limited ("Trump Elegant") for a total cash consideration of HK\$8,300,000. The acquisition of Trump Elegant enabled the Group to acquire 11 out of 12 units in a building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong) (the "313 Prince Edward Road Building"). This transaction has been accounted for as a purchase of assets and liabilities rather than business combination as Trump Elegant was not a business. The net assets acquired were as follows:

	HK\$'000
Net assets acquired:	
Deposits for acquisition of properties held for development	21,510
Properties held for development	22,267
Trade receivables	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	(8,300)

The cash outflow was included in the operating activities for the year ended 31 March 2009 as the acquisition was for the purpose of acquiring properties held for development for sale in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

19. PROPERTIES HELD FOR DEVELOPMENT – continued

Notes: – continued

- (b) During the year ended 31 March 2009, Trump Elegant completed the acquisition of the 11 units in the 313 Prince Edward Road Building at a total consideration of HK\$117,231,000 (including direct costs), of which HK\$103,264,000 was added to the properties held for development for the year ended 31 March 2009.
- (c) During the year ended 31 March 2010, the Group entered into a sale and purchase agreement with an outside individual, who is also the seller of Trump Elegant, to acquire the entire issued share capital of Kingbest Capital Holdings Limited (“Kingbest”) for a total cash consideration of HK\$2,440,000. The purpose of the acquisition of Kingbest was to enable the Group to acquire all units in a building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B and 311D Prince Edward Road West, Kowloon, Hong Kong) (the “311 Prince Edward Road Building”). This transaction has been accounted for as a purchase of assets and liabilities rather than business combination as Kingbest was not a business. The net assets acquired were as follows:

	HK\$'000
Net assets acquired:	
Deposits for acquisition of properties held for development	8,610
Properties held for development	2,440
Amount due to a former shareholder	(1,200)
Amount due to a subsidiary of the Company	(7,410)
	<u>2,440</u>
Total consideration satisfied by cash and cash outflow in respect of the acquisition	<u>(2,440)</u>

The cash outflow was included in the operating activities for the year ended 31 March 2010 as the acquisition was for the purpose of acquiring properties held for development.

- (d) During the year ended 31 March 2010, Kingbest completed the acquisition of all units in the 311 Prince Edward Road Building at a total consideration of HK\$66,316,000 (including direct costs) and Trump Elegant acquired the remaining one unit in the 313 Prince Edward Road Building at a consideration of HK\$10,021,000 (including direct costs). These sums were added to the properties held for development for the year ended 31 March 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

19. PROPERTIES HELD FOR DEVELOPMENT – continued

At 31 March 2010, the properties held for development of HK\$400,605,000 (2009: HK\$181,204,000) were included in the Group's current assets in the consolidated statement of financial position as it is expected that the properties will be realised in the Group's normal operating cycle for properties development, which is expected to be more than twelve months after the end of the reporting period.

At 31 March 2009, due to the uncertainty on the timing of successful acquisition of the remaining one unit of the 313 Prince Edward Road Building for development purpose within the Group's normal operating cycle, properties held for development of HK\$99,000,000 (2010: nil) were not included in the Group's current assets in the consolidated statement of financial position at 31 March 2009.

At 31 March 2010 and 2009, the Group performed impairment review assessment on its properties held for development to assess their recoverable amounts with reference to valuations made by independent qualified professional property valuers not connected to the Group. The valuations were arrived at by using the residual valuation method.

During the year ended 31 March 2009, an impairment loss of HK\$25,632,000 was recognised in profit or loss as a result of the decline in market value of the properties held for development (see note 10). The directors of the Company were of the opinion that no additional impairment on properties held for development was considered necessary as at 31 March 2009.

Due to improvement in the property market conditions during the year ended 31 March 2010, a reversal of impairment loss previously recognised amounting to HK\$25,632,000 (2009: nil) was recognised as income in profit or loss during the year (see note 10). Since the recoverable amounts of other properties held for development are higher than their carrying amounts as at 31 March 2010, the directors of the Company are of the opinion that no impairment on these properties held for development is considered necessary.

20. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 April 2008	566,680
Decrease in fair value recognised in profit or loss	(21,760)
	<hr/>
At 31 March 2009	544,920
Acquired from acquisition of subsidiaries (note 36)	260,521
Exchange realignments	1,474
Reclassified from leasehold properties (note 18)	23,850
Increase in fair value recognised in profit or loss	87,380
Disposals	(51,773)
	<hr/>
At 31 March 2010	866,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

20. INVESTMENT PROPERTIES – continued

The fair values of the Group's investment properties at 31 March 2010 were arrived at on the basis of valuation carried out as at that date by the following independent firms of qualified professional property valuers not connected with the Group. The valuations were arrived at by reference to market evidence of transaction prices for similar properties and by reference to net rental income allowing for reversionary income potential using the applicable market yields for the respective locations and types of properties.

Name of valuer	Location of investment properties
A.G. Wilkinson & Associates	Hong Kong
Knight Frank Petty Limited	Hong Kong
DTZ Debenham Tie Leung (SEA) Pte Ltd	Singapore

The fair values of the leasehold properties transferred from property, plant and equipment at the date of transfer for the year ended 31 March 2010 were arrived at on the basis of a valuation carried out as at that date by Knight Frank Petty Limited, an independent firm of qualified professional property valuer not connected to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The fair values of the Group's investment properties at 31 March 2009 were arrived at on the basis of valuation carried out as at that date by Knight Frank Petty Limited. The valuations were 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:

	2010 HK\$'000	2009 HK\$'000
Property interests situated in Hong Kong under:		
Long lease	114,000	82,000
Medium-term lease	609,110	462,920
	<u>723,110</u>	<u>544,920</u>
Freehold properties situated in Singapore	143,262	—
	<u>866,372</u>	<u>544,920</u>

21. INTANGIBLE ASSET

The intangible asset represented a club debenture with indefinite useful life and was carried at cost at 31 March 2009.

During the year ended 31 March 2010, the club debenture was disposed of at a consideration of HK\$782,000, resulting in a loss on disposal of HK\$139,000 (2009: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

22. INTERESTS IN ASSOCIATES

	2010 HK\$'000	2009 HK\$'000
Listed securities in Hong Kong, at cost	179,803	144,668
Share of post-acquisition losses	(44,818)	(39,094)
Share of translation reserve	7,462	7,462
Share of property revaluation reserve	12,878	—
Unrealised gain on disposal of the Garment Trading Companies (note a)	(17,277)	—
	<u>138,048</u>	<u>113,036</u>
Market value of listed securities	<u>44,230</u>	<u>32,591</u>

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

	2010 HK\$'000	2009 HK\$'000
Total assets	548,793	388,119
Total liabilities	(58,810)	(31,539)
Net assets	<u>489,983</u>	<u>356,580</u>
Group's share of net assets of associates	<u>155,325</u>	<u>113,036</u>
Turnover	<u>52,385</u>	<u>59,960</u>
Loss for the year	<u>(18,058)</u>	<u>(47,457)</u>
Group's share of results of associates for the year (note b)	<u>(5,724)</u>	<u>(15,044)</u>
Realised gain on disposal of the Garment Trading Companies (note c)	<u>69</u>	<u>—</u>
Total share of results of associates for the year	<u>(5,655)</u>	<u>(15,044)</u>

Notes:

- (a) The amount relates to the portion of the gain on disposal by the Group of the entire issued share capital of the Garment Trading Companies to a wholly-owned subsidiary of the Group's associate, Easyknit Enterprises, during the year ended 31 March 2010, which is attributable to the Group's interests in the associates (see note 37).
- (b) Included in the Group's share of results of associates is the Group's share of loss from the discontinued operations of the associates amounting to HK\$2,860,000 (2009: HK\$7,206,000) during the year ended 31 March 2010.
- (c) The amount represents the realised portion of gain on disposal of the Garment Trading Companies during the year ended 31 March 2010 as a result of amortisation of intangible assets and tax effect thereon arising from the acquisition of the Garment Trading Companies by Easyknit Enterprises during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

22. INTERESTS IN ASSOCIATES – continued

The Group performed impairment review assessment on interests in associates as at 31 March 2010 and 2009. The recoverable amounts of these interests in associates were determined based on a value-in-use calculation using discounted cashflow analysis to estimate the present value of the estimated future cash flows expected to be generated by the Group from its associates. This calculation uses cash flow projections based on five-year period financial budgets approved by management of Easyknit Enterprises.

Since the recoverable amounts of the interests in associates are higher than their carrying amounts as at 31 March 2010 and 2009, the directors of the Company are of the opinion that no impairment on interests in associates is considered necessary.

Particulars of the Group's principal associates as at 31 March 2010 and 2009 are as follows:

Name of associate	Form of business structure	Place of incorporation/ establishment/ 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
					2010	2009	
Easyknit Enterprises [#]	Incorporated	Bermuda	Hong Kong	Ordinary	31.70%	31.70%	Investment holding

Principal subsidiaries of associate	Form of business structure	Place of incorporation/ establishment/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital/ paid up registered capital/ stated capital held by Easyknit Enterprises		Nature of business
					2010	2009	
Chancemore Limited **	Incorporated	British Virgin Islands	Hong Kong	Ordinary	100%	N/A	Property investment
Clever Wise Holdings Limited **	Incorporated	British Virgin Islands	Hong Kong	Ordinary	100%	N/A	Property investment
Easyknit Global Company Limited **	Incorporated	Hong Kong	Hong Kong	Ordinary	100%	N/A	Trading of garments
Easyknit (Mauritius) Limited	Establishment	Republic of Mauritius	Hong Kong	N/A	100%	100%	Investment holding
Gainever Corporation Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	100%	100%	Trading of marketable securities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

22. INTERESTS IN ASSOCIATES – continued

Principal subsidiaries of associate	Form of business structure	Place of incorporation/ establishment/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital/ paid up registered capital/stated capital held by		Nature of business
					Easyknit Enterprises	2010	
Grand Profit Development Limited **	Incorporated	Hong Kong	Hong Kong	Ordinary	100%	N/A	Trading of garments
Po Cheong International Enterprises Limited *	Incorporated	Hong Kong	Hong Kong	Ordinary	100%	100%	Investment holding
Tat Cheong International (HK) Limited *	Incorporated	Hong Kong	Hong Kong	Ordinary	100%	100%	Investment holding
東莞永耀漂染有限公司 (“Wing Yiu”) 1*	Establishment	PRC	PRC	N/A	100%	100%	Bleaching and dyeing (ceased in 2010)
永義紡織 (河源) 有限公司 (“He Yuan”) 2*	Establishment	PRC	PRC	N/A	100%	100%	Knitting (ceased in 2010)
永義製衣 (湖州) 有限公司 (“Huzhou Garment”) 3	Establishment	PRC	PRC	N/A	100%	100%	Construction in progress of garment production plant for own use (suspended in 2009)/property investment in 2010
永義紡織 (湖州) 有限公司 (“Huzhou Knitting”) 4	Establishment	PRC	PRC	N/A	100%	100%	Construction in progress of knitting production plant for own use (suspended)
永義漂染 (湖州) 有限公司 (“Huzhou Bleaching and Dyeing”) 5	Establishment	PRC	PRC	N/A	100%	100%	Construction in progress of bleaching and dyeing production plant for own use (suspended)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

22. INTERESTS IN ASSOCIATES – continued

- 1 Wing Yiu is a wholly foreign owned enterprise established in the PRC, to be operated for 10 years up to 20 August 2011.
 - 2 He Yuan is a wholly foreign owned enterprise established in the PRC, to be operated for 15 years up to 7 March 2019.
 - 3 Huzhou Garment is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 14 December 2054.
 - 4 Huzhou Knitting is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 5 January 2055.
 - 5 Huzhou Bleaching and Dyeing is a wholly foreign owned enterprise established in the PRC, to be operated for 50 years up to 4 January 2055.
- # Easyknit Enterprises is a company listed on the Main Board of the Stock Exchange.
- * These companies ceased operations during the year ended 31 March 2010 and were not classified as principal associates of the Group at 31 March 2010.
- ** These companies were acquired by Easyknit Enterprises during the year ended 31 March 2010.

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

	2010 HK\$'000	2009 HK\$'000
Equity securities listed in Hong Kong at market value	<u>72,232</u>	<u>33,891</u>

24. INVESTMENTS HELD FOR TRADING

	2010 HK\$'000	2009 HK\$'000
Equity securities listed in Hong Kong at market value	<u>69,942</u>	<u>93,420</u>

25. INVENTORIES

	2010 HK\$'000	2009 HK\$'000
Raw materials	—	1,113
Finished goods	<u>945</u>	<u>2,377</u>
	<u>945</u>	<u>3,490</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

26. TRADE AND OTHER RECEIVABLES

	2010 HK\$'000	2009 HK\$'000
Trade receivables	5,848	11,704
Deposits to suppliers	—	26,476
Other receivables	2,090	5,880
	<u>7,938</u>	<u>44,060</u>

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

	2010 HK\$'000	2009 HK\$'000
0 - 60 days	5,353	10,411
61 - 90 days	495	1,245
Over 90 days	—	48
	<u>5,848</u>	<u>11,704</u>

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

Included in the Group's trade receivables balance at 31 March 2010 are debtors with aggregate carrying amount of HK\$775,000 (2009: HK\$1,536,000) which are past due at the end of the reporting period for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

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

	2010 HK\$'000	2009 HK\$'000
Overdue by 1 to 60 days	771	1,479
Overdue by 61 to 90 days	4	9
Overdue by over 90 days	—	48
	<u>775</u>	<u>1,536</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

26. TRADE AND OTHER RECEIVABLES – continued

Movement in the allowance for doubtful debts:

	2010 HK\$'000	2009 HK\$'000
Balance at beginning of the year	—	790
Amounts written off as uncollectible	—	(790)
Amounts recovered during the year	—	—
Balance at end of the year	—	—

No allowance was made for trade receivables that are past due but not impaired at 31 March 2010 and 2009 as the amounts were expected to be subsequently recovered after the end of the reporting period.

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

	2010 HK\$'000	2009 HK\$'000
USD	—	5,867

27. LOANS RECEIVABLE

	2010 HK\$'000	2009 HK\$'000
Unsecured amounts		
– guaranteed by outside parties and bearing interest at a fixed rate ranging from 7% to 8.75% (2009: a fixed rate ranging from 8% to 8.75%) per annum	17,500	26,300
– bearing interest at a fixed rate ranging from 7% to 9% (2009: a fixed rate ranging from 8.25% to 9%) per annum	51,700	55,800
Amount secured by listed equity shares and bearing interest at 9% per annum	—	3,968
	69,200	86,068
Less: Amount due from borrowers within one year shown under current assets	(59,200)	(86,068)
Amount due from borrowers after one year but not more than two years shown under non-current assets	10,000	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

27. LOANS RECEIVABLE – continued

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 based on historical settlement records. No loans receivable is past due at the end of the reporting period.

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

28. BILLS RECEIVABLE

At 31 March 2009, the bills receivable were aged within 90 days.

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

	2010 HK\$'000	2009 HK\$'000
USD	—	39,180

29. STRUCTURED DEPOSIT

The Group did not have structured deposit as at 31 March 2010. During the year ended 31 March 2009, the Group placed a structured deposit with a financial institution in Hong Kong. The structured deposit contained embedded derivative, the return of which was determined with reference to the change in exchange rate between RMB and USD quoted in the market. The structured deposit was designated as fair value through profit or loss at initial recognition.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

30. 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 0.001% to 0.75% (2009: 0.01% to 4.72%) 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:

	2010 HK\$'000	2009 HK\$'000
USD	<u>30,831</u>	<u>28,179</u>
Euro	<u>2</u>	<u>338</u>

31. TRADE AND OTHER PAYABLES

	2010 HK\$'000	2009 HK\$'000
Trade payables	7,396	10,434
Rental deposits received	9,332	6,913
Accruals and other payables	<u>14,017</u>	<u>11,345</u>
	<u>30,745</u>	<u>28,692</u>

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

	2010 HK\$'000	2009 HK\$'000
0 - 60 days	4,127	10,419
61 - 90 days	557	11
Over 90 days	<u>2,712</u>	<u>4</u>
	<u>7,396</u>	<u>10,434</u>

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:

	2010 HK\$'000	2009 HK\$'000
USD	<u>—</u>	<u>192</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

32. BILLS PAYABLE

At 31 March 2009, the bills payable were aged within 30 days and denominated in HKD, functional currency of the relevant group entities.

33. SHARE CAPITAL

	Notes	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 April 2008 and 31 March 2009		0.01	100,000,000,000	1,000,000
Consolidation of shares	(a)		(90,000,000,000)	—
At 31 March 2010		0.1	10,000,000,000	1,000,000
Issued and fully paid:				
At 1 April 2008 and 31 March 2009		0.01	794,204,028	7,942
Exercise of share options	(b)	0.01	2	—
Consolidation of shares	(a)	0.01	(714,783,627)	—
At 31 March 2010		0.1	79,420,403	7,942

Notes:

- (a) As announced by the Company on 8 December 2009, the Company proposed to effect a share consolidation and every ten issued and unissued shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each. Details of the share consolidation are set out, inter alia, in the circular of the Company dated 29 January 2010. An ordinary resolution approving the share consolidation was passed at the special general meeting of the Company held on 17 February 2010 and the share consolidation became effective on 18 February 2010.
- (b) On 13 January 2010, options to subscribe for a total of 2 ordinary shares of HK\$0.01 each of the Company at a subscription price of HK\$0.27 per share were granted pursuant to the Company's share option scheme adopted on 18 February 2002. The share options are exercisable within 30 days from the date of grant. The grant was accepted on 13 January 2010 for a nominal consideration of HK\$1 and were exercised in full on the same day. These shares issued rank pari passu with the then existing shares in issue in all respects.

34. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

34. SHARE OPTION SCHEME – continued

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

34. SHARE OPTION SCHEME – continued

A summary of the movement of the Company's share options during the year ended 31 March 2010 is as follows:

Date of grant	Number of share options			At 31 March 2010	Exercise price per share option	Exercise period
	At 1 April 2009	Granted during the year	Exercised during the year			
13 January 2010	—	2	(2)	—	HK\$0.27	From 13 January 2010 to 12 February 2010

Notes:

- (a) The share options have no vesting period and are exercisable from the date of grant.
- (b) The share price at grant date of the options represents the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the trading day immediately preceding the date of offer of the options.

There was no share options outstanding at 31 March 2009 or at any time during the year ended 31 March 2009.

In the opinion of the directors of the Company, the estimated fair value of the share options granted on 13 January 2010 was insignificant.

35. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 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 profit or loss	5	(1,023)	(4,890)	(5,908)
At 31 March 2009	246	33,949	(19,509)	14,686
Exchange realignment	—	153	—	153
Acquired from acquisition of subsidiaries (note 36)	—	34,369	(1,734)	32,635
(Credit) charge to profit or loss	(210)	18,457	6,400	24,647
Charge to property revaluation reserve	—	2,029	—	2,029
At 31 March 2010	36	88,957	(14,843)	74,150

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

35. DEFERRED TAXATION – continued

At 31 March 2010, the Group has unused tax losses of HK\$159,725,000 (2009: HK\$217,594,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$89,957,000 (2009: HK\$118,239,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$69,768,000 (2009: HK\$99,355,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except the losses of HK\$58,186,000 (2009: HK\$54,877,000) which will expire as follows:

	2010 HK\$'000	2009 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	2,424
2030	3,309	—
	<u>58,186</u>	<u>54,877</u>

36. ACQUISITION OF SUBSIDIARIES

As referred to in note 17(d) and set out in the circular of the Company dated 4 December 2009, the Group entered into two separate sale and purchase agreements with Ms. Lui Yuk Chu, a director and a substantial shareholder of the Company, to acquire the entire issued share capital of each of Supertop and Grow Well together with settlement of the interest-free shareholders' loans and bank borrowings owed by Supertop and Grow Well for a total consideration of HK\$226,251,000. Grow Well owns investment properties in Singapore, and Supertop, through its wholly-owned subsidiary, owns investment properties in Hong Kong. Supertop and its subsidiary are collectively referred to as the "Supertop Group".

These acquisitions were completed on 22 December 2009 and have been accounted for as purchase of assets and liabilities rather than business combination as each of the Supertop Group and Grow Well is not a business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

36. ACQUISITION OF SUBSIDIARIES – continued

The net assets acquired in these acquisitions are as follows:

	The Supertop Group HK\$'000	Grow Well HK\$'000	Total HK\$'000
Net assets acquired:			
Investment properties	116,205	144,316	260,521
Other receivables	110	137	247
Bank balances and cash	747	142	889
Other payables	(842)	(442)	(1,284)
Tax payable	—	(71)	(71)
Bank borrowings	(42,161)	(27,531)	(69,692)
Loans from a former shareholder	(17,469)	(86,007)	(103,476)
Deferred tax liabilities	(11,547)	(21,088)	(32,635)
	<u>45,043</u>	<u>9,456</u>	<u>54,499</u>
Settlement of bank borrowings			69,692
Settlement of loans from a former shareholder			103,476
			<u>227,667</u>
Represented by:			
Consideration satisfied by cash			226,251
Direct expenses incurred in connection with the acquisition of subsidiaries			1,416
			<u>227,667</u>
Net cash outflow arising from acquisitions:			
Cash consideration paid			(226,251)
Direct expenses incurred in connection with the acquisition of subsidiaries			(1,416)
Cash and cash equivalents acquired			889
			<u>(226,778)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. DISPOSAL OF SUBSIDIARIES

As referred to in note 17(c) and set out in the circular of the Company dated 29 January 2010, the Group entered into an agreement with Quick Easy Limited, a wholly-owned subsidiary of Easyknit Enterprises, to dispose of the entire issued share capital of the Garment Trading Companies for a cash consideration of HK\$80,000,000. The disposal was completed on 1 March 2010.

The net assets disposed of at the date of disposal are as follows:

	HK\$'000
<hr/>	
Net assets disposed of:	
Property, plant and equipment	1,141
Trade and other receivables	12,521
Bills receivable	26,115
Bank balances and cash	415
Trade and other payables	(16,440)
Bills payable	(1,033)
	<hr/>
	22,719
Gain on disposal of subsidiaries	
– realised	37,374
– unrealised (note)	17,346
	<hr/>
Total consideration	77,439
	<hr/> <hr/>
Satisfied by:	
Cash consideration	80,000
Direct expenses incurred in connection with the disposal of subsidiaries	(2,561)
	<hr/>
	77,439
	<hr/> <hr/>
Net cash inflow arising on disposal of subsidiaries:	
Cash received	80,000
Direct expenses incurred in connection with the disposal of subsidiaries	(2,561)
Cash and cash equivalents disposed of	(415)
	<hr/>
	77,024
	<hr/> <hr/>

Note: The amount represents the unrealised gain on disposal by the Group of the entire issued share capital of the Garment Trading Companies to a wholly-owned subsidiary of the Group's associate, Easyknit Enterprises, at the date of disposal (see note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

38. PLEDGE OF ASSETS

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

	2010 HK\$'000	2009 HK\$'000
Investment properties	—	48,900

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2010 HK\$'000	2009 HK\$'000
Minimum lease payments recognised in profit or loss during the year	2,250	2,364

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

	2010 HK\$'000	2009 HK\$'000
Within one year	91	2,085
In the second to fifth year inclusive	—	260
	91	2,345

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

39. OPERATING LEASE ARRANGEMENTS – continued

The Group as lessor

	2010 HK\$'000	2009 HK\$'000
Property rental income earned during the year	29,668	28,166
Less: Outgoings	(1,277)	(839)
Net rental income	<u>28,391</u>	<u>27,327</u>

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

	2010 HK\$'000	2009 HK\$'000
Within one year	28,627	22,624
In the second to fifth year inclusive	22,877	12,344
	<u>51,504</u>	<u>34,968</u>

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

40. RETIREMENT BENEFITS SCHEMES

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

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

The aggregate employers' contributions which have been dealt with in profit or loss for the year ended 31 March 2010 amounted to HK\$659,000 (2009: HK\$754,000).

At the end of the reporting period, the total amount of forfeited contributions available to reduce the contributions payable in the future years was insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2010 and 2009 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
			2010		2009		
			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%	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%	Trading of garments
Goldchamp International Limited##	Hong Kong	Ordinary HK\$2	—	100%	—	—	Property holding
Golden Top Properties Limited	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Property holding
Grand Profit Development Limited#	Hong Kong	Ordinary HK\$2	—	—	—	100%	Trading of garments
Grow Well Profits Limited##	British Virgin Islands/ Singapore	Ordinary US\$1	—	100%	—	—	Property holding
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
Kingbest Capital Holdings Limited##	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100%	—	—	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES – 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
			2010		2009		
			Directly	Indirectly	Directly	Indirectly	
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
Mary Mac Apparel Inc.	USA	Common stock US\$7,738,667	—	100%	—	100%	Garment distribution
Planetec International Limited	Hong Kong	Ordinary HK\$2	—	100%	—	100%	Finance company
Supertop Investment Limited##	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100%	—	—	Investment holding
Trump Elegant Investment Limited	Hong Kong	Ordinary HK\$1	—	100%	—	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.

These companies were disposed of to Easyknit Enterprises, the Group's associate, during the year ended 31 March 2010.

These companies were acquired by the Group during the year ended 31 March 2010.

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 2010 or 31 March 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

42. EVENT AFTER THE REPORTING PERIOD

As announced by the Company on 24 February 2010, the Group entered into a sale and purchase agreement with an outside individual, who is also the seller of Trump Elegant and Kingbest, to acquire the entire issued share capital of Chief Access Limited (“Chief Access”) for a consideration of HK\$5,650,000. The Group also agreed to repay the shareholder’s loan owed by Chief Access to the seller, which shall not exceed HK\$9,535,000. Chief Access is a limited liability company incorporated in the British Virgin Islands and is the purchaser under various property purchase agreements. The acquisition of Chief Access will enable the Group to acquire all units in the building situated on the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A and 311C Prince Edward Road West, Kowloon, Hong Kong). This building is adjacent to the 311 Prince Edward Road Building and the 313 Prince Edward Road Building referred to in note 19.

In addition, the seller granted to the Group an option to require the seller to purchase from the Group the entire issued share capital of Chief Access 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 (i) HK\$5,650,000; (ii) the sum paid by Chief Access to the seller in full and discharge of the shareholders’ loan; and (iii) the total sum paid by Chief Access and the Group. The option may be exercised by the Group by notice in writing to the seller any time on or before 10 July 2010. This proposed acquisition was approved by the shareholders of the Company at a special general meeting held on 12 April 2010.

As announced by the Company on 14 July 2010, the acquisition of the entire issued share capital of Chief Access was completed on 19 April 2010 and the completion of all property purchase agreements was on or before 10 May 2010. The Group did not exercise the option granted by the vendor and the option expired on 10 July 2010.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Turnover	489,715	557,737	521,339	458,068	412,652
Profit (loss) before taxation	182,534	(109,470)	60,100	(106,390)	210,021
Taxation (charge) credit	(9,683)	(6,127)	4,236	5,006	(22,663)
Profit (loss) for the year attributable to owners of the Company	172,851	(115,597)	64,336	(101,384)	187,358

ASSETS AND LIABILITIES

	At 31 March				
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Total assets	1,127,857	1,473,064	1,559,398	1,443,902	1,744,172
Total liabilities	(96,929)	(103,886)	(89,869)	(78,718)	(128,890)
Equity attributable to owners of the Company	1,030,928	1,369,178	1,469,529	1,365,184	1,615,282

SUMMARY OF PROPERTIES

As at 31 March 2010

A. INVESTMENT PROPERTIES

Location	Purpose	Approximate gross floor/ saleable area (sq. ft.)	Lease term
1. 6th Floor, Nos. 650-652 Castle Peak Road, and No. 18A Wing Hong Street, Kowloon	Industrial	8,514	Medium
2. 2nd Floor, Nos. 790, 792 and 794 Cheung Sha Wan Road, Kowloon	Industrial	2,997	Medium
3. Block B1 and portion of Block B on 7th Floor, No. 481 Castle Peak Road, Cheung Sha Wan, Kowloon	Industrial	6,992	Medium
4. Unit B on First Floor, Fung Wah Factory Building, Nos. 646, 648, 648A Castle Peak Road, Kowloon	Industrial	1,937	Medium
5. Roof, No. 20 Wing Hong Street, Kowloon	Industrial	2,657	Medium
6. Fifth Floor, No. 20 Wing Hong Street, Kowloon	Industrial	2,637	Medium
7. Easy Tower Nos. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon	Industrial/ commercial	74,458	Medium
8. Block A on 7th Floor, No. 481 Castle Peak Road, Cheung Sha Wan, Kowloon	Industrial/ commercial	11,874	Medium

SUMMARY OF PROPERTIES

As at 31 March 2010

A. INVESTMENT PROPERTIES – continued

Location	Purpose	Approximate gross floor/ saleable area (sq. ft.)	Lease term
9. 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
10. Ground Floor, No. 50 Yun Ping Road, Causeway Bay, Hong Kong	Commercial	900	Long
11. House 9, Villa Castell, No. 20 Yau King Lane, Tai Po, New Territories	Residential	2,358	Medium
12. Units 1 and 2 on Seventh Floor, Block D and Car Parking Space No. 46 on Lower Ground Floor, Shatin Heights, No. 8003 Tai Po Road Shatin, New Territories	Residential	2,086	Medium
13. Third Floor, 161 Wong Nai Chung Road, Hong Kong	Residential	781	Medium
14. House No. 11 and the Garden Appurtenant Thereto and Car Parking Spaces No. 11A and 11B on Basement Floor, Las Pinadas, No. 33 Shouson Hill Road, Hong Kong	Residential	2,933	Medium
15. 15 Ardmore Park #04-03, Singapore 259959	Residential	2,885	Freehold
16. 15 Ardmore Park #06-04, Singapore 259959	Residential	2,885	Freehold
17. 15 Ardmore Park #18-02, Singapore 259959	Residential	2,885	Freehold

SUMMARY OF PROPERTIES

As at 31 March 2010

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. Nos. 313 313A, 313B and 313C, Prince Edward Road West, Kowloon (Section B of Kowloon Inland Lot No. 1685)	Residential	7,561	100%	Long	Under development
3. Nos. 311B and 311D, Prince Edward Road West, Kowloon (Sub-Section 1 of Section A of Kowloon Inland Lot No. 2928)	Residential	4,918	100%	Long	Under development