

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

If you have sold or transferred all your shares in Graneagle Holdings Limited, you should at once hand this document and the accompanying Form of Acceptance to the purchasers or transferees, or to the bank, or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchasers or transferees. This document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which forms part of the terms of the Offer contained herein.

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Rich Wing Investments Limited

(incorporated in the British Virgin Islands with limited liability)



Graneagle Holdings Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 147)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO CONDITIONAL MANDATORY GENERAL OFFER BY



英皇證券（香港）有限公司
Emperor Securities Limited

ON BEHALF OF RICH WING INVESTMENTS LIMITED FOR ALL THE ISSUED SHARES IN GRANEAGLE HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY RICH WING INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

**Financial adviser to
Rich Wing Investments Limited**



英皇融資有限公司
Emperor Capital Limited

**Financial adviser to
Graneagle Holdings Limited**



South China Capital Limited

**Independent Financial Adviser to the Independent Board Committee of
Graneagle Holdings Limited**



CSC Asia Limited

A letter from the Board is set out on pages 4 to 10 of this Composite Document.

A letter from ESL containing, amongst other things, details of the terms of the Offer are set out on pages 11 to 19 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on page 20 of this Composite Document.

A letter from CSC Asia to the Independent Board Committee, containing its advice in respect of the Offer to the Independent Board Committee is set out on pages 21 to 43 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Wednesday, 10 October 2007 (or such other time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).

CONTENTS

	<i>Page</i>
Expected timetable	ii
Definitions	1
Letter from the Board	4
Letter from ESL	11
Letter from the Independent Board Committee	20
Letter from CSC Asia	21
Appendix I – Further terms of the Offer	44
Appendix II – Financial information of the Group	50
Appendix III – General Information	73

EXPECTED TIMETABLE

2007
(Note 1)

Opening date of the Offer	Wednesday, 19 September
Latest time for acceptance of the Offer on the First Closing Date (Note 2).....	4:00 p.m. on Wednesday, 10 October
First Closing Date of the Offer (Note 2).....	Wednesday, 10 October
Announcement of the results of the Offer as at the First Closing Date uploaded to the Stock Exchange's website.....	not later than 7:00 p.m. on Wednesday, 10 October
Notification of announcement in respect of the results of the Offer as at the First Closing Date published on newspaper	Thursday, 11 October
Latest date for posting of remittance to the Shareholders in respect of valid acceptances of the Offer lodged on or before the First Closing Date (if the Offer becomes unconditional on the First Closing Date) (Note 3).....	Thursday, 18 October
Latest time for acceptance of the Offer (if the Offer becomes unconditional on the First Closing Date) (Note 4).....	4:00 p.m. on Wednesday, 24 October
Close of the Offer (if the Offer becomes unconditional on the First Closing Date) (Note 4).....	Wednesday, 24 October
Latest date by which the Offer can be declared unconditional (Note 5)	Monday, 19 November

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time for acceptance of the Offer on the First Closing Date is 4:00 p.m. on Wednesday, 10 October 2007. In the event that the Offer does not become unconditional in all respects on or before the First Closing Date of Wednesday, 10 October 2007, the Offer will lapse (unless revised or extended by the Offeror in accordance with the Takeovers Code).
3. Subject to the Offer becoming unconditional, the amounts due to each of the Shareholders who accepts the Offer shall be paid for by the Offeror as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes, or is declared unconditional and the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.
4. If the Offer becomes or is declared unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code and an announcement will be issued by the Offeror to inform the Shareholders accordingly as to the next closing date. The Offeror is entitled to revise the Offer or extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue a press announcement in relation to any revision or extension of the Offer, which will state the next closing date.
5. Under Rule 15.5 of the Takeovers Code, except with the consent of the Executive, an offer (whether revised or not) may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the day the initial offer document was posted. Accordingly, unless the Offer has previously become or has been declared unconditional, the Offer will lapse at 7:00 p.m. on Monday, 19 November 2007 unless the Offer is extended by the Offeror with the consent of the Executive.

DEFINITIONS

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

“%”	per cent.
“Accura”	Accura Overseas Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Ling
“Announcement”	the joint announcement published by the Company and Rich Wing dated 29 August 2007 relating to the Offer
“Board”	board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Graneagle Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Stock Exchange
“Composite Document”	this composite Offer Document and Response Document issued to all Shareholders in accordance with the Takeovers Code containing, amongst other things, details of the Offer, the acceptance and transfer form in respect of the Offer
“CSC Asia” or “Independent Financial Adviser”	CSC Asia Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Offer
“Director(s)”	the director(s) of the Company
“Dividends”	the final dividend of HK3 cents per Share and a special dividend of HK29 cents per Share for the year ended 31 March 2007, details of which were announced by the Company on 6 July 2007, and were paid to the Shareholders on 17 September 2007
“Dr. Yeung”	Dr. Yeung Sau Shing, Albert
“ECL”	Emperor Capital Limited, a licensed corporation under the SFO, licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO
“ESL”	Emperor Securities Limited, a licensed corporation under the SFO, licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Closing Date”	the first closing date of the Offer, being Wednesday, 10 October 2007 or any subsequent closing date(s) as may be determined and announced by the Offeror with the consent of the Executive
“Form(s) of Acceptance”	the accompanying form(s) of acceptance and transfer in respect of the Offer
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administration Region of the Peoples’ Republic of China
“Independent Board Committee”	an independent committee of the Board comprising the non-executive Director, Mr. Ng Tze Kin, David and all the independent non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Lee Tsoh Ching, Jonathan and Mr. Keir, James
“Independent Shareholders”	Shareholders other than (i) the Vendors and their associates and parties acting in concert with the Vendors; and (ii) the Offeror, Dr. Yeung and their associates and parties acting in concert with the Offeror and Dr. Yeung
“Last Trading Day”	27 August 2007, being the last trading day for the Shares before the date of the Announcement
“Latest Practicable Date”	17 September 2007, being the latest practicable date for ascertaining certain information referred to in this Composite Document prior to the printing of this Composite Document
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kong”	Mr. Kong Ho Pak, an executive Director and the Chairman of the Company
“Mr. Ling”	Mr. Ling Tai Yuk, John, an executive Director and the Chief Executive Officer of the Company
“Offer”	the conditional mandatory general offer for the Offer Shares by the Offeror at HK\$0.599 per Offer Share
“Offeror”	Rich Wing, being also the purchaser of the Sale Shares

DEFINITIONS

“Offer Document”	the document required to be issued by the Offeror to all Shareholders, in accordance with the Takeovers Code containing, amongst other things, details of the Offer and the terms and conditions of the Offer and forming part of this Composite Document
“Offer Share(s)”	all existing issued Shares (other than those Shares already owned or agreed to be acquired by Rich Wing and parties acting in concert with it)
“Registrar”	Tricor Secretaries Limited, the Hong Kong branch share registrar of the Company which is situated at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing from six calendar months immediately prior to 29 August 2007, being the date of the Announcement, up to and including the Latest Practicable Date
“Response Document”	the document required to be issued by the Company to all Shareholders in accordance with the Takeovers Code containing, amongst other things, the letter from the Board and advice from the Independent Board Committee and the Independent Financial Advisor and forming part of this Composite Document
“Rich Wing”	Rich Wing Investments Limited, a company incorporated in the British Virgin Islands and is an investment holding company
“Sale Shares”	the 81,246,188 Shares acquired by Rich Wing from the Vendors under the Share Purchase Agreement
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Purchase Agreement”	the conditional share purchase agreement dated 27 August 2007 entered into between Rich Wing and the Vendors for the Sale Shares and was completed on 17 September 2007
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC
“Vendors”	Mr. Ling, Accura and Mr. Kong



Graneagle Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 147)

Executive Directors:

Mr. Kong Ho Pak (*Chairman*)
Mr. Ling Tai Yuk, John (*Chief Executive Officer*)
Mr. Pang Hon Chung

Registered office:

Clarendon House
Church Street
Hamilton HM11
Bermuda

Non-executive Director:

Mr. Ng Tze Kin, David

Head office and place of business:

Suite 1114
Lippo Sun Plaza
28 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Independent Non-executive Directors:

Mr. Leung Shu Yin, William
Mr. Lee Tsoh Ching, Jonathan
Mr. Keir, James

19 September 2007

To the Shareholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY GENERAL OFFER BY
EMPEROR SECURITIES LIMITED
ON BEHALF OF RICH WING INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN GRANEAGLE HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY RICH WING INVESTMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

The Board and Rich Wing jointly announced on 29 August 2007 that on 27 August 2007, Rich Wing entered into the Share Purchase Agreement with the Vendors pursuant to which Rich Wing agreed to purchase and the Vendors agreed to sell 81,246,188 Shares at a consideration of HK\$48,641,378 (equivalent to approximately HK\$0.599 per Sale Share) in cash. The Sale Shares represent approximately 48.64% of the existing issued share capital of the Company as at the Latest Practicable Date.

Completion of the Share Purchase Agreement took place on 17 September 2007.

LETTER FROM THE BOARD

Immediately following the completion of the Share Purchase Agreement, Rich Wing owns 81,246,188 Shares, representing approximately 48.64% of the existing issued share capital of the Company. Upon completion of the Share Purchase Agreement, ESL on behalf of Rich Wing, pursuant to Rule 26 of the Takeovers Code, makes a mandatory conditional general offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by Rich Wing and parties acting in concert with it).

In accordance with Rule 2.8 of the Takeovers Code, an Independent Board Committee comprising the non-executive Director, Mr. Ng Tze Kin, David and all the independent non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Lee Tsoh Ching, Jonathan and Mr. Keir, James, has been established to advise the Independent Shareholders in respect of the Offer. Each of Mr. Ng Tze Kin, David, Mr. Leung Shu Yin, William, Mr. Lee Tsoh Ching, Jonathan and Mr. Keir, James has declared that he does not have a conflict of interest in the Offer. CSC Asia has also been appointed as the Independent Financial Adviser to advise the Independent Board Committee for the purpose of advising the Independent Board Committee in respect of the Offer and such appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, neither the Company nor the Offeror had received an indication from Mr. Ng Tze Kin, David, a non-executive Director, on whether he will accept the Offer or not.

The purpose of this letter is to provide you with, amongst other things, further information relating to the Group and the Offer and the reasons for the recommendation of the Independent Board Committee regarding the Offer.

CONDITIONAL MANDATORY GENERAL OFFER

Terms of the Offer

As set out in the letter from ESL, ESL, on behalf of the Offeror, is making the Offer to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

For each Offer ShareHK\$0.599 in cash

The price for each Offer Share is approximately the same as the price paid by the Offeror for each Sale Share under the Share Purchase Agreement.

The price of HK\$0.599 per Offer Share represents:

- (i) a discount of approximately 40.10% to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on 17 September 2007, being the Latest Practicable Date;
- (ii) a discount of approximately 47.91% to the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 40.10% to the average of the closing price per Share of approximately HK\$1.00 as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a discount of approximately 44.54% to the average closing price per Share of approximately HK\$1.08 as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Trading Day and adjusted for the Dividends; and
- (v) a premium of approximately 15.19% to the net asset value per Share of approximately HK\$0.52 based on the audited consolidated net asset value of the Group (“NAV”) of approximately HK\$86.44 million as at 31 March 2007 and 167,031,016 Shares in issue.

The Company announced on 6 July 2007 that it proposed a final dividend of HK3 cents per Share and a special dividend of HK29 cents per Share for the year ended 31 March 2007. The proposed Dividends were approved by the Shareholders at the annual general meeting of the Company on 24 August 2007. The Shares had been dealt with on ex-dividend basis from 20 August 2007. The closing price per Share was HK\$0.78 and HK\$1.03 per Share on 6 July 2007 and 20 August 2007 respectively. The closing prices of the Shares from 9 July 2007 (the next trading day following the announcement of the Dividends) to 17 August 2007 (the last trading day prior to ex-Dividends date) have reflected the entitlement of the Shareholders to the Dividends. The Dividends were paid on 17 September 2007 to Shareholders whose names appeared on the register of members of the Company on 24 August 2007. The acquisition of the Sale Shares by the Offeror is on ex-Dividends basis. No dividend has been declared by the Company after the date of the Announcement.

The Company does not have any outstanding options, warrants and other securities convertible into Shares or any other derivatives and has not entered into any agreement for the issue of any outstanding options, warrants and other securities convertible into Shares or any other derivatives.

Save and except for the acquisition of the Sale Shares pursuant to the Share Purchase Agreement, none of Rich Wing and parties acting in concert with it has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares in the six-month period prior to the Last Trading Day and up to the Latest Practicable Date. As at the Latest Practicable Date, other than the Sale Shares acquired by Rich Wing, Rich Wing, Dr. Yeung (sole director of Rich Wing) and parties acting in concert with them do not hold any Shares, outstanding options, derivatives, warrants or other securities convertible into Shares.

Condition of the Offer

The Offer is conditional upon the Offeror having received acceptances of the Offer which, together with the Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it before or during the offer period, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. If the Offeror does not receive acceptances of the Offer which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the offer period, would result in the Offeror holding more than 50% of the voting rights of the Company, the Offer would not become unconditional and would lapse.

LETTER FROM THE BOARD

Further details of the Offer

Further details of the Offer including, amongst other things, the terms and conditions and the procedures for acceptance are set out in Appendix I to the Composite Document on pages 44 to 49 and the accompanying Form of Acceptance.

EFFECT ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company before completion of the Share Purchase Agreement and as at the Latest Practicable Date are as follows:

Shareholder	Before completion of the Share Purchase Agreement		As at the Latest Practicable Date	
	Number of Shares	%	Number of Shares	%
Mr. Ling	29,893,336	17.90	0	0.00
Accura (<i>Note 1</i>)	44,705,322	26.76	0	0.00
Mr. Kong	6,647,530	3.98	0	0.00
Rich Wing	0	0.00	81,246,188	48.64
Mr. Ng Tze Kin, David (<i>Note 2</i>)	7,000	0.00	7,000	0.00
Public	<u>85,777,828</u>	<u>51.36</u>	<u>85,777,828</u>	<u>51.36</u>
	<u><u>167,031,016</u></u>	<u><u>100.00</u></u>	<u><u>167,031,016</u></u>	<u><u>100.00</u></u>

Notes:

- (1) The entire issued share capital of Accura is held by Mr. Ling, and therefore Mr. Ling was deemed to be interested in the 44,705,322 Shares held by Accura.
- (2) Mr. Ng is a Director.

INFORMATION ON THE COMPANY

The Company is incorporated in Bermuda with limited liability. It is an investment holding company. The principal activities of the Group are garment manufacturing and trading.

The following table sets out the financial information of the Group, based on the audited financial statements for the two financial years ended 31 March 2006 and 31 March 2007:

	For the year ended 31 March 2006	For the year ended 31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxation	12,277	15,897
Net profit/(loss) after taxation	11,052	14,556
Earnings per Share	HK\$0.066	HK\$0.087

LETTER FROM THE BOARD

	As at 31 March 2006 <i>HK\$'000</i>	As at 31 March 2007 <i>HK\$'000</i>
NAV	76,408	86,439
NAV per Share	HK\$0.457	HK\$0.518

The audited consolidated NAV of all the Shares, based on the audited financial statements for the two financial years ended 31 March 2006 and 31 March 2007, were approximately HK\$76 million and HK\$86 million, respectively.

Based on the latest published audited financial statements of the Company, the audited consolidated net profits before and after taxation were approximately HK\$12 million and HK\$11 million respectively for the financial year ended 31 March 2006, while the audited consolidated net profits before and after taxation were approximately HK\$16 million and HK\$15 million respectively for the financial year ended 31 March 2007.

INFORMATION ON THE OFFEROR AND INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror is a private limited company incorporated in the British Virgin Islands. It has not carried out any business activities since its incorporation other than the entering into the Share Purchase Agreement. The director and the sole shareholder of the Offeror is Dr. Yeung. Dr. Yeung is deemed to be a controlling shareholder of Emperor International Holdings Limited, Emperor Entertainment Hotel Limited, Emperor Capital Group Limited and Emperor Entertainment Group Limited, all being listed companies in Hong Kong. Dr. Yeung has been running the business of the above listed companies for more than 40 years.

The Offeror considers that the Share Purchase Agreement enables the Offeror to hold the controlling block of the Company. The acquisition of the Sale Shares and the Offer provide an opportunity for the Offeror to participate in the garment industry while the Company can provide a platform for the Offeror to invest into new business ventures as it may identify in the future. The Offeror intends that the Group will continue its existing businesses following the close of the Offer. Meanwhile, the Offeror will review the existing business operation of the Group for the purpose of formulating future business plans and strategies of the Group. The Offeror currently has no intention to inject any material assets or business into the Group or to dispose of any material assets or business of the Group. The Offeror will continue to operate the existing business of the Group, but it is also open to new business opportunities which avail to the Group. The Offeror has no intention to re-deploy the employees or the fixed assets of the Group other than in its ordinary course of business. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offer. The Board is of the view that the Offeror's plan to maintain the existing business and employees of the Group while seeking new business opportunities to the Group enables the Company to maintain stability after the Offer and at the same time will provide opportunity to the Group to expand its business. The Board considers that the Offeror's plan is in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Board comprised Mr. Kong, Mr. Ling, Mr. Pang Hon Chung as executive Directors, Mr. Ng Tze Kin, David as non-executive Director, Mr. Leung Shu Yin, William, Mr. James Keir and Mr. Lee Tsoh Ching, Jonathan as independent non-executive Directors. Mr. Kong and Mr. Pang Hon Chung have indicated that they will remain on the Board as executive Directors after the close of the Offer, and Mr. Leung Shu Yin, William will remain as an independent non-executive Director after the close of the Offer. The Offeror intends to nominate Mr. Law Ka Ming, Michael and Ms. Yip Kam Man to the Board as independent non-executive Directors. Further announcement will be made upon the appointment and resignation of the Directors in compliance with the Listing Rules and the Takeovers Code.

Set out below are the biographical details of Mr. Law Ka Ming, Michael and Ms. Yip Kam Man, the two new directors proposed to be nominated to the Board:

Mr. Law Ka Ming, Michael

Aged 46, a Chartered Quantity Surveyor of the Royal Institution of Chartered Surveyors. He holds a Master's Degree in Business Administration from the Chinese University of Hong Kong. Mr. Law has more than ten years' experience in corporate management in relation to logistic management services and building material trading business. He was the independent non-executive director of Emperor International Holdings Limited, a company with its shares listed on the Stock Exchange, until March 2006. Other than the aforesaid, Mr. Law has not held any directorship and other major appointments in any listed companies in the past three years preceding the Latest Practicable Date. Mr. Law has not held any positions in the Company or any of its subsidiaries in the past three years preceding the Latest Practicable Date.

Ms. Yip Kam Man

Aged 41, a Certified Public Accountant. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Yip graduated from The University of Nottingham in the United Kingdom with a Bachelor's Degree in Arts (Hons) and has more than 18 years experience in the audit field (including internal audit for listed companies in Hong Kong). Ms. Yip has not held any directorship in any listed companies in the past three years preceding the Latest Practicable Date. Ms. Yip has not held any positions in the Company or any of its subsidiaries in the past three years preceding the Latest Practicable Date.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, the Company will be in breach of Rule 8.08 of the Listing Rules and the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

LETTER FROM THE BOARD

The Offeror intends that the Company will remain listed on the Stock Exchange after the close of the Offer and does not intend to exercise its rights to compulsorily acquire all the Shares. The director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that such number of Shares as may be required by the Stock Exchange are held by the public.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 20 of the Composite Document, which contains its recommendation to the Independent Shareholders in respect of the Offer and the letter from CSC Asia which contains its advice to the Independent Board Committee set out on pages 21 to 43 of the Composite Document in respect of the fairness and reasonableness of the Offer, and the principal factors and reasons which it has considered before arriving at its advice to the Independent Board Committee.

You are also advised to read the appendices to the Composite Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer.

Shareholders should be advised that the Offer will only become unconditional upon the Offeror having received acceptances of the Offer by Shareholders in respect of the voting rights of the Shares which, together with voting rights of the Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Shares. Consequently, if such 50% threshold could not be reached, all the Shares tendered in acceptance of the Offer could not be taken up and paid for by the Offeror and instead, those Shares would need to be returned their respective Shareholders.

In considering what action to take in connection with the Offer, Shareholders should also consider their own tax implications and, if they are in any doubt, they should consult their professional advisers. You are recommended to read the Composite Document together with the Form of Acceptance for details of the Offer. Your attention is also drawn to the additional information contained in the appendices to the Composite Document.

By Order of the Board
Graneagle Holdings Limited
Kong Ho Pak
Chairman



英皇證券（香港）有限公司
Emperor Securities Limited

23rd-24th Floor,
Emperor Group Centre,
288 Hennessy Road,
Wanchai,
Hong Kong

19 September 2007

To the Independent Shareholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY GENERAL OFFER
BY EMPEROR SECURITIES LIMITED
ON BEHALF OF RICH WING INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN GRANEAGLE HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY RICH WING INVESTMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Terms and expressions used herein shall have the same meanings as defined in the document jointly issued by the Offeror and the Company in respect of the Offer (the “Composite Document”) unless stated otherwise.

On 29 August 2007, the Offeror and the Company jointly announced that the Offeror entered into the Share Purchase Agreement on 27 August 2007 with the Vendors, pursuant to which the Offeror conditionally agreed to acquire, and the Vendors conditionally agreed to dispose of, the Sale Shares, representing approximately 48.64% of the total issued share capital of the Company at an aggregate consideration of HK\$48,641,378, equivalent to approximately HK\$0.599 per Sale Share. On 17 September 2007, all the conditions of the Share Purchase Agreement have been fulfilled and completion of the Share Purchase Agreement took place on 17 September 2007. As a result of the completion, the Offeror and parties acting in concert with it become interested in 81,246,188 Shares, representing approximately 48.64% of the entire issued share capital of the Company as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make a conditional mandatory cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

LETTER FROM ESL

This letter sets out details of the Share Purchase Agreement, the terms of the Offer, together with the information on the Offeror and the intention of the Offeror regarding the future of the Group. Further details of the terms of the Offer are set out in Appendix I to the Composite Document and in the accompanying Form of Acceptance.

Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board set out on pages 4 to 10 and the letter from CSC Asia, the independent financial adviser to the Independent Board Committee in relation to the Offer set out on pages 21 to 43 of the Composite Document of which this letter forms part.

THE SHARE PURCHASE AGREEMENT

Date

27 August 2007

Parties

Purchaser:	Rich Wing
Vendors:	Mr. Ling, Accura and Mr. Kong
Vendors' guarantors:	Mr. Ling and Mr. Kong
Purchaser's guarantor:	Dr. Yeung

Subject

81,246,188 Shares which consists of:

Beneficial Owner	No. of Shares	% to total issued Shares
Mr. Ling	29,893,336	17.90
Accura	44,705,322	26.76
Mr. Kong	6,647,530	3.98
Total:	<u>81,246,188</u>	<u>48.64</u>

Consideration

The consideration for the Sale Shares is HK\$48,641,378 (equivalent to approximately HK\$0.599 per Sale Share). The consideration for the Sale Shares was paid by Rich Wing to the Vendors in cash upon completion of the Share Purchase Agreement on 17 September 2007.

The consideration payable by Rich Wing under the Share Purchase Agreement was determined after arm's length negotiations among Rich Wing and the Vendors.

LETTER FROM ESL

Conditions of the Share Purchase Agreement

Completion of the Share Purchase Agreement is conditional upon:

- (i) listing and trading in the Shares on the Stock Exchange having been resumed following clearance of the Announcement by regulatory authorities;
- (ii) trading in the Shares on the Stock Exchange not being suspended for a period of more than 14 consecutive trading days excluding any suspension for the purposes of clearing the Announcement by the regulatory authorities, and
- (iii) the Shares remaining listed and traded on the Stock Exchange on the completion date of the Share Purchase Agreement; and there being no indication from the Stock Exchange or the SFC received by the Company on or before the completion of the Share Purchase Agreement that listing of the Shares will be revoked or withdrawn as a result of the completion of the Share Purchase Agreement.

If any of the conditions above has not been fulfilled or waived, as the case may be, on or before completion date of the Share Purchase Agreement, the Share Purchase Agreement shall cease and be of no further effect and neither party to the Share Purchase Agreement shall have any obligations or liabilities to the other parties (save in respect of any antecedent breaches thereof). As at the Latest Practicable Date, all the above conditions have been fulfilled.

Completion of the Share Purchase Agreement

The Share Purchase Agreement was completed on 17 September 2007.

THE OFFER

Immediately following the completion of the Share Purchase Agreement, Rich Wing is interested in 81,246,188 Shares, representing approximately 48.64% of the existing issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Share Purchase Agreement, ESL on behalf of Rich Wing, pursuant to Rule 26 of the Takeovers Code, makes the Offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by Rich Wing and parties acting in concert with it).

The terms of the Offer

The consideration payable under the Offer is as follow:

For each Offer ShareHK\$0.599 in cash

The price for each Offer Share is approximately the same as the price paid by the Offeror for each Sale Share under the Share Purchase Agreement.

LETTER FROM ESL

The price of HK\$0.599 per Offer Share represents:

- (i) a discount of approximately 47.91% to the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 40.10% to the average of the closing price per Share of approximately HK\$1.00 as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 44.54% to the average closing price per Share of approximately HK\$1.08 as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Trading Day, and adjusted for the Dividends;
- (iv) a discount of approximately 50.50% to the average closing price per Share of approximately HK\$1.21 as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day, and adjusted for the Dividends;
- (v) a discount of approximately 40.10% to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a premium of approximately 15.19% to the net asset value per Share of approximately HK\$0.52 based on the audited consolidated net asset value of the Group of approximately HK\$86.44 million as at 31 March 2007 and 167,031,016 Shares in issue.

The Company has announced on 6 July 2007 that it proposed a final dividend of HK3 cents per Share and a special dividend of HK29 cents per Share for the year ended 31 March 2007. The proposed Dividends were approved by the Shareholders at the annual general meeting of the Company on 24 August 2007. The Shares had been dealt with on ex-dividend basis from 20 August 2007. The closing price per Share was HK\$0.78 and HK\$1.03 per Share on 6 July 2007 and 20 August 2007 respectively. The closing prices of the Shares from 9 July 2007 (the next trading day following the announcement of the Dividends) to 17 August 2007 (the last trading day prior to ex-Dividends date) have reflected the entitlement of the Shareholders to the Dividends. The Dividends were paid on 17 September 2007 to Shareholders whose names appeared on the register of members of the Company on 24 August 2007. The acquisition of the Sale Shares by the Offeror is on ex-Dividends basis. No dividend has been declared by the Company after the date of the Announcement.

The Company does not have any outstanding options, warrants and other securities convertible into Shares or any other derivatives and had not entered into any agreement for the issue of any outstanding options, warrants and other securities convertible into Shares or any other derivatives. As at the Latest Practicable Date, (i) save and except for the Share Purchase Agreement, there are no arrangements in relation to shares of the Offeror or the Company which might be material to the Offer; (ii) there are no agreements or arrangements to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; (iii) no irrevocable commitment to accept the Offer has been received by the Offeror and parties acting in concert with it; and (iv) there are no outstanding derivatives in respect of securities of the Company entered into by the Offeror and parties acting in concert with it.

LETTER FROM ESL

Condition of the Offer

The Offer is conditional upon the Offeror having received acceptances of the Offer which, together with the Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it before or during the offer period, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. If the Offeror does not receive acceptances of the Offer which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the offer period, would result in the Offeror holding more than 50% of the voting rights of the Company, the Offer would not become unconditional and would lapse.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period preceding the Last Trading Day, and ending on and inclusive of the Latest Practicable Date were HK\$1.98 per Share recorded on 27 July 2007 and HK\$0.45 per Share recorded on 5 March 2007 respectively.

Total consideration and financial resources

As at the Latest Practicable Date, the Company had 167,031,016 Shares in issue. On the basis of the price of HK\$0.599 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$100.05 million. The 85,784,828 Shares subject to the Offer are valued at approximately HK\$51.39 million. Of the HK\$51.39 million total consideration for the Offer payable by the Offeror, (i) HK\$30 million will be financed by Charron Holdings Limited, a company of which Dr. Yeung has a deemed controlling interest; and (ii) the remaining amount of approximately HK\$21.39 million will be financed by ESL by way of a margin loan. ESL has agreed on 27 August 2007 to grant a margin loan to the Offeror for the sole purpose of funding the consideration for the Offer. All the Shares to be acquired by Offeror under the Offer (if any) by use of the loan facility shall be deposited with ESL from time to time as collateral for such loan facility. The margin loan arrangement will not result in a change of the voting rights of the Offeror in respect of the collateralized Shares unless the Offeror defaults in repayment. The Offeror confirms that the payment of interest on, repayment of or security for any liability under the amounts stated in (i) and (ii) above is not dependent on the business of the Company. ECL is satisfied that sufficient financial resources are available to Rich Wing to meet its obligation in case of full acceptance of the Offer.

Pursuant to the Takeovers Code, as the Offer is made through ESL, and ECL is the financial adviser to the Offeror, both ESL and ECL are deemed to be acting in concert with the Offeror for the purpose of the Offer.

Rich Wing's dealing and interests in the Company's securities

Pursuant to the Takeovers Code, ESL is deemed to be acting in concert with the Offeror for the purpose of the Offer. Save as the dealings in the Shares for and on behalf of its non-discretionary individual clients, ESL (or any party controlling, controlled by or under the same control as ESL) has

LETTER FROM ESL

not dealt for value in the Shares, options, warrants, derivatives or securities convertible into Shares in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

Save and except for the acquisition of the Sale Shares pursuant to the Share Purchase Agreement, none of Rich Wing and parties acting in concert with it has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares in the six-month period prior to the Last Trading Day and up to the Latest Practicable Date. As at the Latest Practicable Date, other than the Sale Shares acquired by Rich Wing, Rich Wing, Dr. Yeung (sole director of Rich Wing) and parties acting in concert with them do not hold any Shares, outstanding options, derivatives, warrants or other securities convertible into Shares.

Effect of acceptance of the Offer

By accepting the Offer, the Shareholders will sell their Shares to Rich Wing free from all liens, charges, claims and encumbrances and any third party rights together with all rights attached to them, including the right to receive all dividends and distributions declared, paid or made at or after the date on which the Offer is made, i.e. the date of posting of the Composite Document. The payment of the declared Dividends was made on 17 September 2007. As the date for the posting of the Composite Document is after the payment of the Dividends, the acceptance of the Offer by the Shareholders will not affect the accepting Shareholders' right to the Dividends.

INFORMATION ON THE OFFEROR AND INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror is a private limited company incorporated in the British Virgin Islands. It has not carried out any business activities since its incorporation other than the entering into the Share Purchase Agreement. The director and the sole shareholder of the Offeror is Dr. Yeung. Dr. Yeung is deemed to be a controlling shareholder of Emperor International Holdings Limited, Emperor Entertainment Hotel Limited, Emperor Capital Group Limited and Emperor Entertainment Group Limited, all being listed companies in Hong Kong. Dr. Yeung has been running the business of the above listed companies for more than 40 years.

The Offeror considers that the Share Purchase Agreement enables the Offeror to hold the controlling block of the Company. The acquisition of the Sale Shares and the Offer provide an opportunity for the Offeror to participate in the garment industry while the Company can provide a platform for the Offeror to invest into new business ventures as it may identify in the future. The Offeror intends that the Group will continue its existing businesses following the close of the Offer. Meanwhile, the Offeror will review the existing business operation of the Group for the purpose of formulating future business plans and strategies of the Group. The Offeror currently has no intention to inject any material assets or business into the Group or to dispose of any material assets or business of the Group. The Offeror will continue to operate the existing business of the Group, but it is also open to new business opportunities which avail to the Group. The Offeror has no intention to re-deploy the employees or the fixed assets of the Group other than in its ordinary course of business. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offer.

LETTER FROM ESL

As at the Latest Practicable Date, the Board comprised Mr. Kong, Mr. Ling, Mr. Pang Hon Chung as executive Directors, Mr. Ng Tze Kin, David as non-executive Director, Mr. Leung Shu Yin, William, Mr. James Keir and Mr. Lee Tsoh Ching, Jonathan as independent non-executive Directors. Mr. Kong and Mr. Pang Hon Chung have indicated that they will remain on the Board as executive Directors after the close of the Offer, and Mr. Leung Shu Yin, William will remain as an independent non-executive Director after the close of the Offer. The Offeror intends to nominate Mr. Law Ka Ming, Michael and Ms. Yip Kam Man to the Board as independent non-executive Directors. Further announcement will be made upon the appointment and resignation of the Directors in compliance with the Listing Rules and the Takeovers Code.

Set out below are the biographical details of Mr. Law Ka Ming, Michael and Ms. Yip Kam Man, the two new directors proposed to be nominated to the Board:

Mr. Law Ka Ming, Michael

Aged 46, a Chartered Quantity Surveyor of the Royal Institution of Chartered Surveyors. He holds a Master's Degree in Business Administration from the Chinese University of Hong Kong. Mr. Law has more than ten years' experience in corporate management in relation to logistic management services and building material trading business. He was the independent non-executive director of Emperor International Holdings Limited, a company with its shares listed on the Stock Exchange, until March 2006. Other than the aforesaid, Mr. Law has not held any directorship and other major appointments in any listed companies in the past three years preceding the Latest Practicable Date. Mr. Law has not held any positions in the Company or any of its subsidiaries in the past three years preceding the Latest Practicable Date.

Ms. Yip Kam Man

Aged 41, a Certified Public Accountant. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Yip graduated from The University of Nottingham in the United Kingdom with a Bachelor's Degree in Arts (Hons) and has more than 18 years experience in the audit field (including internal audit for listed companies in Hong Kong). Ms. Yip has not held any directorship in any listed companies in the past three years preceding the Latest Practicable Date. Ms. Yip has not held any positions in the Company or any of its subsidiaries in the past three years preceding the Latest Practicable Date.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, the Company will be in breach of Rule 8.08 of the Listing Rules and the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

LETTER FROM ESL

The Offeror intends that the Company will remain listed on the Stock Exchange after the close of the Offer and does not intend to exercise its rights to compulsorily acquire all the Shares. The director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that such number of Shares as may be required by the Stock Exchange are held by the public.

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of accepting the Offer. It is emphasised that none of the Offeror, the parties acting in concert with it and ESL and any of their respective directors and any other parties involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Offer.

FURTHER TERMS OF THE OFFER

Further terms and conditions (including the procedures for acceptance and the acceptance period) of the Offer are also set out in Appendix I to the Composite Document and the Form of Acceptance.

GENERAL

To ensure equality of the treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Independent Shareholders through ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members or, in the case of joint Shareholders, to the Shareholder whose name appears first in the said register of members, unless otherwise specified in the relevant Forms of Acceptance completed and returned by the Independent Shareholders. None of the Company, the Offeror and the parties acting in concert with it, ESL and the Registrar or any of their respective directors will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof. The attention of the Shareholders with a registered address in jurisdiction outside Hong Kong is drawn to the section headed "Overseas Shareholders" in Appendix I to the Composite Document.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

Stockbrokers, banks and other who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of

LETTER FROM ESL

dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day periods is less than \$1 million. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their won dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

Your attention is drawn to the additional information set out in the appendices to the Composite Document.

Yours faithfully,
For and on behalf of
Emperor Securities Limited
Chan Pak Lam, Tom
Executive Director



Graneagle Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 147)

19 September 2007

To the Independent Shareholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY GENERAL OFFER BY
EMPEROR SECURITIES LIMITED
ON BEHALF OF RICH WING INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN GRANEAGLE HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY RICH WING INVESTMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We have been appointed to advise you in connection with the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Offer are set out in the "Letter from the Board" and "Letter from ESL" contained in the Composite Document. Terms defined in the Composite Document shall have the same meanings when used herein unless the context otherwise requires. CSC Asia has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offer. Details of its advice and principal factors taken into consideration in arriving at its recommendations are set out in the "Letter from CSC Asia" on pages 21 to 43 of the Composite Document.

Having considered the terms of the Offer, taking into account the information contained in the Composite Document, together with the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend you to accept the Offer.

Yours faithfully,

For and on behalf of

The Independent Board Committee

Ng Tze Kin, David **Leung Shu Yin, William** **Lee Tsoh Ching, Jonathan** **Keir, James**

Non-executive Director

Independent Non-executive Directors

LETTER FROM CSC ASIA

The following is the text of a letter of advice from CSC Asia which has been prepared for the purpose of incorporation into the Composite Document, setting out its advice to the Independent Board Committee in relation to the Offer.



CSC Asia Limited
Units 3204-07, 32/F
Cosco Tower
183 Queen's Road Central
Hong Kong

19 September 2007

*To: The independent board committee of
Graneagle Holdings Limited*

Dear Sirs,

**CONDITIONAL MANDATORY GENERAL OFFER BY
EMPEROR SECURITIES LIMITED
ON BEHALF OF RICH WING INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN GRANEAGLE HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY RICH WING INVESTMENTS LIMITED AND PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee in respect of the Offer. Details of the Offer are set out in the "Letter from the Board" and the "Letter from ESL" contained in the Composite Document dated 19 September 2007, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 27 August 2007, the Offeror and the Vendors entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase a total of 81,246,188 Shares, representing approximately 48.64% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$48,641,378 (equivalent to approximately HK\$0.599 per Sale Share). Completion of the Share Purchase Agreement (the "Completion") took place on 17 September 2007.

Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it became interested in 81,246,188 Shares, representing approximately 48.64% of the entire issued share capital of the Company. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory conditional general offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

LETTER FROM CSC ASIA

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. In accordance with Rule 2.8 of the Takeovers Code, members of the Independent Board Committee should comprise all non-executive Directors who have no direct or indirect interest in the Offer. The Independent Board Committee comprising one non-executive Director namely Mr. Ng Tze Kin, David and all three independent non-executive Directors, namely Messrs. Leung Shu Yin, William, Lee Tsoh Ching, Jonathan and Keir, James, all of whom have no direct or indirect interest in the Offer, save that Mr. Ng Tze Kin, David being interested in 7,000 Shares representing less than 0.1% of the issued share capital of the Company as at the Latest Practicable Date, and thus being independent, has been established to advise the Independent Shareholders in respect of the Offer. As at the Latest Practicable Date, Mr. Ng Tze Kin, David has not indicated whether he will accept the Offer or not.

We, CSC Asia Limited, have been appointed and approved by the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee as to whether or not the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion to the Independent Board Committee in relation to the Offer for their consideration in making recommendation to the Independent Shareholders on whether or not to accept the Offer.

CSC Asia Limited is not associated with the Offeror or the Vendors or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and is accordingly qualified to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Vendors or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our recommendations, we have relied on the information and facts supplied by the Company and the opinions expressed by and the representations of, the Directors and management of the Company including those set out in the Composite Document. We have assumed that all the information, opinions and representations so supplied by the Company and/or the Directors and all information, opinions and representations referred to or contained in the Composite Document, for which the Company and/or the Directors are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be so as at the date of the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror respectively in the Composite Document were made reasonably after due and careful consideration. No representation or warranty, expressed or implied, is made by us on the accuracy of such information or representation.

The Directors have jointly and severally accepted full responsibilities of the accuracy of the information contained in the Composite Document (other than that relating to the Offer, the Offeror and parties acting in concert with it) and, having made all reasonable enquiries, have confirmed that to the best of their knowledge and belief there are no other facts that the omission of which would make any statement in the Composite Document misleading. The Offeror and Dr. Yeung have declared in the

LETTER FROM CSC ASIA

responsibility statement set out in Appendix III “General information” to the Composite Document that they are fully responsible for the accuracy of the information contained in the Composite Document (other than information relating to the Group, the Directors and the Vendors).

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Offeror, which have been provided to us.

We consider that we have reviewed sufficient information and documents to reach an informed view to justify our reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our recommendations. We have not, however, conducted any independent investigation into the businesses or affairs or assets and liabilities or future prospects of the Group, the Offeror or any of their respective associates, nor have we carried out any independent verification of the information supplied to us.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offer, we have taken the following principal factors and reasons into consideration:

1. Background to and terms of the Offer

On 27 August 2007, the Offeror entered into the Share Purchase Agreement with the Vendors, pursuant to which the Offeror agreed to acquire and the Vendors agreed to sell 81,246,188 Sale Shares, representing approximately 48.64% of the then issued share capital of the Company, for an aggregate cash consideration of HK\$48,641,378. The Completion took place on 17 September 2007.

Immediately following the Completion, the Offeror and parties acting in concert with it were interested in aggregate of 81,246,188 Shares, representing approximately 48.64% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory conditional general offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

LETTER FROM CSC ASIA

As at the Latest Practicable Date, there were a total of 167,031,016 Shares in issue. ESL is making the Offer, on behalf of the Offeror, on the following basis:

For each Offer Share HK\$0.599 in cash

The offer price for each Offer Share of HK\$0.599 (the “Offer Price”) is approximately the same as the price at which the Sale Shares were acquired by the Offeror under the Share Purchase Agreement.

The Offer is conditional upon valid acceptances of the Offer having been received by the Offeror, together with the Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it before or during the offer period, which would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

Details of the terms and conditions of the Offer, are set out in the “Letter from ESL” of the Composite Document.

2. Review of financial performance and position of the Group

The Group is principally engaged in garment manufacturing and trading. According to the annual reports of the Company for the two financial years ended 31 March 2007, the entire turnover of the Group was contributed by its garment business and therefore no business segment was presented and all turnover of the Group was derived from the sales to the United States (“US”).

Set out below is a summary of the financial results and financial information of the Group for each of the three years ended 31 March 2007 as extracted from the annual reports of the Company for the year ended 31 March 2006 (the “2006 Annual Report”) and the year ended 31 March 2007 (the “2007 Annual Report”):

	Year ended 31 March				
	2007	Growth	2006	Growth	2005
	Audited	rate	Audited	rate	Audited
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>
Turnover	161,850	5.95	152,761	(13.33)	176,258
Gross profit	24,637	5.25	23,408	(4.03)	24,391
Gross profit margin	15.22%		15.32%		13.84%
Profit before taxation	15,897	29.49	12,277	4.92	11,701
Profit for the year	14,556	31.70	11,052	4.90	10,536
Dividend (per Share)	HK3 cents		HK3 cents		HK2 cents
	<i>(Note)</i>				

LETTER FROM CSC ASIA

	As at 31 March		
	2007	2006	2005
	Audited HK\$'000	Audited HK\$'000	Audited HK\$'000
Non-current assets			
Property, plant and equipment	2,769	3,477	4,438
Current assets	102,127	85,725	88,917
Inventories	30,715	22,696	32,283
Trade and other receivables	18,190	11,619	16,418
Pledged bank deposit	9,040	8,579	8,144
Bank balances and cash	44,182	42,831	32,072
Total assets	104,896	89,202	93,355
Net assets value ("NAV")	86,439	76,408	68,489

Note: A final dividend of HK3 cents per Share and a special dividend of HK29 cents per Share had been approved by the Shareholders at the annual general meeting of the Company on 24 August 2007. The payment of the Dividends was made on 17 September 2007.

As illustrated in the above table, for the year ended 31 March 2006 ("FY2006"), turnover and gross profit of the Group were approximately HK\$152.76 million and approximately HK\$23.41 million respectively, representing a decrease of approximately 13.33% and approximately 4.03% as compared with that of the year ended 31 March 2005 ("FY2005"). The decrease in turnover was attributed to the uncertainties of the trading environment in the period of negotiations between the US and the People's Republic of China (the "PRC") in the last quarter in 2005 and US importers and buyers had transferred their orders of garments products to other countries. According to the 2006 Annual Report, following an agreement reached between the US and the PRC in November 2005, uncertainties for buyers had been removed and US importers started to place orders again from the first quarter of 2006. Despite an overall decrease in turnover, profit before taxation for FY2006 amounted to approximately HK\$12.28 million, demonstrated an increase of approximately 4.92% as compared with FY2005, attributable to higher profit margin and increase in other operating income. According to the 2006 Annual Report, as a result of the change in the Group's garment product mix by increasing the sales of high-end lines of ladies fashion with higher profit margin, the Group's gross profit margin increased from approximately 13.84% in FY2005 to approximately 15.32% in FY2006. As for the increase in other operating income, it was due to the increase in interest rate resulting in an increase of bank interest income. The profit attributable to the Shareholders for FY2006 was approximately HK\$11.05 million, representing an increase of approximately 4.90% from that of FY2005.

LETTER FROM CSC ASIA

For the year ended 31 March 2007 (“FY2007”), turnover and gross profit of the Group were approximately HK\$161.85 million and approximately HK\$24.64 million respectively, representing respective increase of approximately 5.95% and approximately 5.25% from FY2006. Profit attributable to the Shareholders in FY2007 increased by approximately 31.7% and amounted to approximately HK\$14.56 million. As stated in the 2007 Annual Report, the increase in profit was due to the decrease in administrative expenses as a result of suspension of the Group’s health supplement business during the year.

As stated in the 2007 Annual Report, on 11 May 2007 in order to focus on its core garment manufacturing and trading business, the Company effected a disposal of a wholly-owned subsidiary, Gentech (Asia) Limited (“Gentech”), at a consideration of approximately HK\$8.88 million. According to the 2007 Annual Report, Gentech was originally engaged in the development, production and distribution of health food and supplement products in the PRC and became inactive during FY2007. According to the Directors, the disposal of Gentech was completed on 23 May 2007 and a gain is expected to be recorded in the accounts of the Group for the year ending 31 March 2008.

In terms of the financial position of the Group, as illustrated from the above table, the bank balances and cash represented the largest asset item of the Group amounting to approximately HK\$44.18 million and constituting about 51% of the Group’s NAV as at 31 March 2007. We note as a result of the Dividends payment of approximately HK\$53.45 million on 17 September 2007, the working capital and the NAV of the Group are expected to decrease. On the liabilities side, no bank indebtedness was recorded by the Group as at 31 March 2007. Further, according to the indebtedness statement as set out in the Composite Document, we note that as at 31 July 2007, the Group did not have any outstanding bank overdrafts, loans or other similar indebtedness, mortgage, charges, debentures or any guarantees or any litigation (which may give rise to contingent liabilities). As further stated in the indebtedness statement, as at 31 July 2007, the Group had secured banking facilities of HK\$20 million by a corporate guarantee of the Company, in addition, the Group had pledged its bank deposit of approximately HK\$9.19 million for securing banking securities granted to the Company (the credit facilities secured has not been utilized by the Company).

We have enquired into and have been advised by the management of the Company that they are optimistic about the prospect of the Group’s core business as the bilateral agreement on imports of Chinese clothing and textiles between the PRC and US has strengthened the confidence of US importers to place orders. The bilateral agreement currently provides stable trade platform for Chinese clothing. However, the agreement will expire by end of 2008 and it is difficult at this stage to predict the impact on the market of Chinese clothing and textiles upon the expiration of the agreement.

3. Information of the Offeror and its future intention

As stated in the “Letter from ESL”, the Offeror is a private limited company incorporated in the British Virgin Islands. Save for the entering into of the Share Purchase Agreement, the Offeror has not engaged in any business activities since its incorporation. Dr. Yeung is the sole director and the sole shareholder of the Offeror.

According to the “Letter from ESL”, Dr. Yeung is deemed to be a controlling shareholder of Emperor International Holdings Limited (stock code: 163), Emperor Entertainment Hotel Limited (stock code: 296), Emperor Capital Group Limited (stock code: 717) and Emperor Entertainment Group Limited (stock code: 8078), all being currently listed on the Stock Exchange. Dr. Yeung has been running the business of the four aforementioned companies for over 40 years.

Regarding the intentions of the Offeror in relation to the Group, according to the “Letter from ESL”, following the close of the Offer, the Offeror intends to maintain the listing status of the Company on the Stock Exchange and does not intend to exercise its rights to compulsorily acquire all the Shares. The Offeror also intends to continue the existing business of the Group, meanwhile, the Offeror is also open to new business opportunities which avail to the Group. For the purpose of formulating future business plans and strategies of the Group, the Offeror will conduct review on the existing business operation of the Group. The Offeror currently has no intention to inject any material assets or business into the Group or to dispose of any material assets or business of the Group. In addition, the Offeror does not intend to re-deploy the employees or fixed assets of the Group other than in its ordinary course of business.

As stated in the “Letter from ESL”, Mr. Kong and Mr. Pang Hon Chung have indicated that they will remain as the executive Directors on the Board after the close of the Offer, and Mr. Leung Shu Yin. William will remain as an independent non-executive Director on the Board after the close of the Offer. In addition, it is the intention of the Offeror to nominate Mr. Law Ka Ming, Michael and Ms. Yip Kam Man as the independent non-executive Directors. The biographical details of Mr. Law Ka Ming, Michael and Ms. Yip Kam Man are set out in the “Letter from ESL”.

Given that no concrete implementation plan or timetable on the Group’s future business development has been formulated by the Offeror, Shareholders, especially those who are optimistic about the prospects of the Group and wish to retain part of their investment in the Company, should note that there is no assurance as to any future business plan(s), if ever formulated, would materialize. As we have no information as to the Offeror’s future development plan for the Group following completion of the Offer and thus we are unable to provide an opinion on the future prospects of the Group.

Although some members of the Board will be retained, there will be addition of new director to be nominated to the Board. The performance of the new composition of the Board is yet to be demonstrated as the additional new directors would be new to the operations, culture and environment of the Group. Accordingly, Shareholders are reminded that the Group’s future profitability is highly dependent on the new composition of the Board’s performance and capability which cannot be ascertained at the moment.

4. Offer Price

The Offer Price of HK\$0.599 per Offer Share represents:

- (i) a discount of approximately 47.91% to the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on 27 August 2007, being the Last Trading Day;
- (ii) a discount of approximately 40.10% to the average closing price of approximately HK\$1.00 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 44.54% to the theoretical ex-dividend 10-day average closing price of approximately HK\$1.08 per Share, which was arrived at based on the average closing price of approximately HK\$1.21 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day after deduction of the Dividends of HK\$0.32 per Share (during the cum-entitlement to the Dividends period);
- (iv) a discount of approximately 50.50% to the theoretical ex-dividend 30-day average closing price of approximately HK\$1.21 per Share, which was arrived at based on the average closing price of approximately HK\$1.47 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day after deduction of the Dividends of HK\$0.32 per Share (during the cum-entitlement to the Dividends period);
- (v) a discount of 40.10% to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (vi) a premium of approximately 15.75% over the Group's audited consolidated net asset value per Share of approximately HK\$0.5175 based on the audited consolidated net asset value of the Group of approximately HK\$86.44 million as at 31 March 2007 and 167,031,016 Shares in issue.

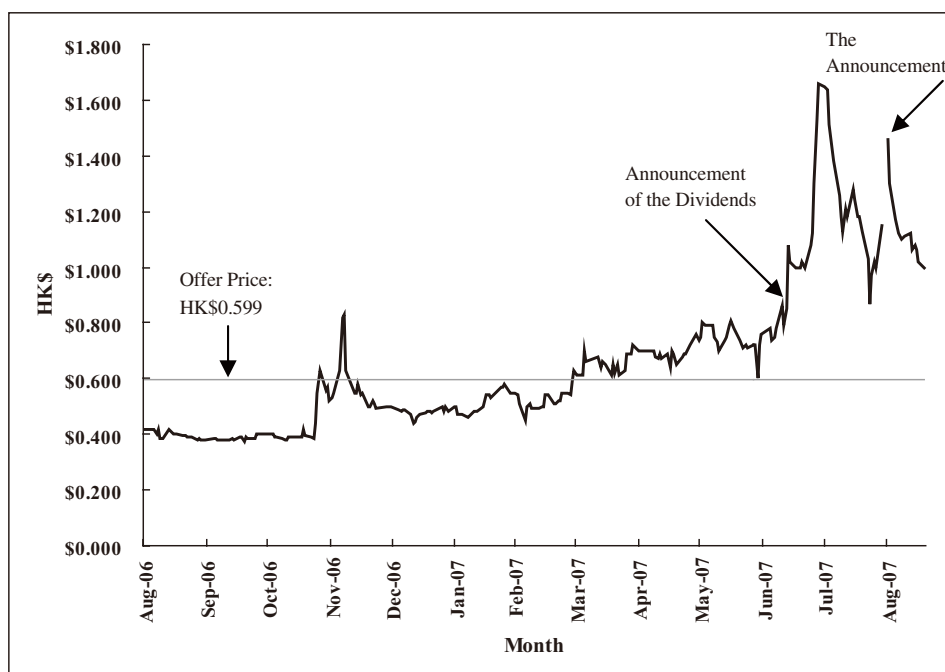
(a) *Historical share price of the Shares*

To assess the reasonableness of the Offer Price, we consider it to be reasonable to make reference to the prevailing market price of the Shares by reference to the share price performance in a longer period, being the 12-month period commencing 30 August 2006 (being one year immediately preceding the date of the Announcement) to and including the Last Trading Day (both dates inclusive) (the "Pre-Announcement Period"), and from the day after the date of the Announcement up to and including the Latest Practicable Date (both dates inclusive) (the "Post-Announcement Period") (together, the "Review Period").

LETTER FROM CSC ASIA

The following chart sets out the historical daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period (closing prices were adjusted by the deduction of the Dividends of HK\$0.32 per Share during the cum-entitlement to the Dividends period, i.e. 9 July 2007 to 17 August 2007, both dates inclusive) as compared with the Offer Price.

Chart 1: Comparison of the Offer Price with the closing prices of the Shares during the Review Period (after adjusting by the deduction of the Dividends during the cum-entitlement to the Dividends period)



Note: Trading of Shares was suspended from 28 August 2007 to 29 August 2007 pending the release of the Announcement.

Source: www.hkex.com.hk

As illustrated above, after adjusting by the deduction of the Dividends (during the cum-entitlement to the Dividends period, i.e. 9 July 2007 to 17 August 2007, both dates inclusive), the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period were HK\$0.375 per Share recorded on 18 October 2006 and HK\$1.66 per Share recorded on 27 July 2007 respectively. The Offer Price represents a discount of approximately 9.24% to the average ex-Dividends closing price of approximately HK\$0.66 per Share during the Review Period.

Pre-Announcement Period

During the Pre-Announcement Period prior to the announcement of the Dividends, the closing prices of the Shares had been trading within a range of HK\$0.375 to HK\$0.83 per Share. On 9 July 2007, being the next trading day following the announcement of the Dividends, there was a surge in the Share price with the closing price of the Shares rising to HK\$1.18 per Share, which was above the closing price of HK\$0.78 per Share on 6 July 2007 (being the last trading day prior to the announcement of the Dividends). During the period from 9 July 2007 to 17 August 2007 (both dates inclusive, being the period for cum-entitlement to the Dividends), the highest and lowest closing prices of the Shares as quoted on the Stock Exchange, adjusted by deducting the Dividends of HK\$0.32 per Share, were HK\$1.66 per Share recorded on 27 July 2007 and HK\$0.79 per Share recorded on 10 July 2007 respectively. The Offer Price represents a discount of approximately 63.92% and 24.18%, respectively, to such highest and lowest closing price of the Shares.

The Shares had been dealt with on ex-Dividends basis from 20 August 2007. Following the ex-Dividends date and prior to the suspension of the trading of the Shares (pending release of the Announcement), the closing prices of the Shares were traded within a range of HK\$0.87 to HK\$1.15 per Share. Trading of the Shares was suspended on 28 August 2007 pending the release of the Announcement.

Post-Announcement Period

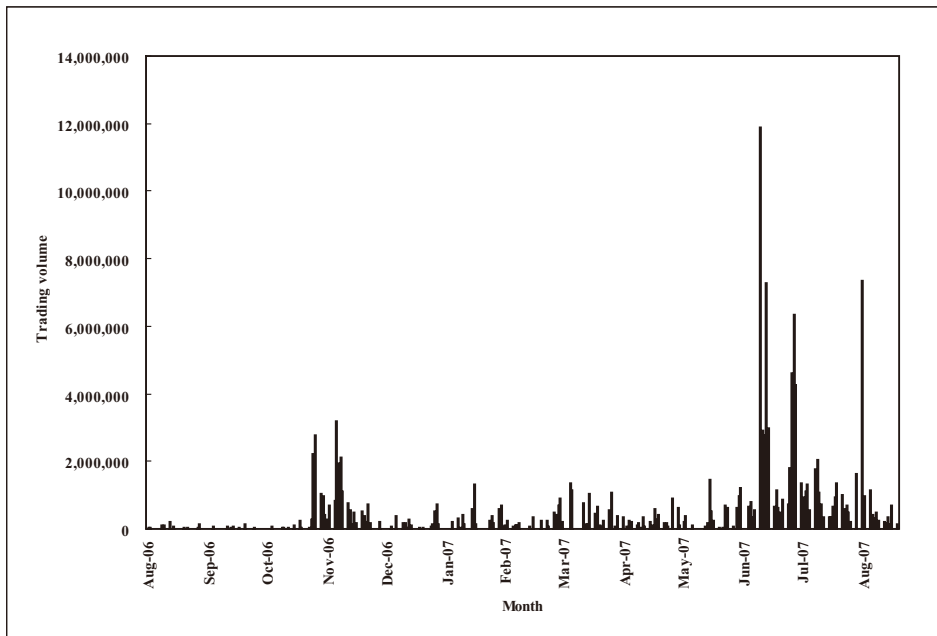
On 30 August 2007, trading in the Shares on the Stock Exchange resumed upon release of the Announcement, the closing price of the Shares rose to HK\$1.46 per Share on that day which represented approximately 26.96% increase from the closing price of HK\$1.15 per Share on 27 August 2007. During the Post-Announcement Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange, which were traded on an ex-Dividends basis, were HK\$1.46 recorded on 30 August 2007 and HK\$1.00 recorded on 17 September 2007 (being the Latest Practicable Date) respectively, representing discounts of approximately 58.97% and 40.10% respectively to the Offer Price.

We consider that such increase in the price of the Shares was largely prompted by market speculation upon the release of the Announcement over the future business of the Group after the change in control of the Company. Nevertheless, we note that the global stock markets have been volatile since August 2007. Taking into sole account of recent price level of the Shares, we consider that the Offer Price may not represent an attractive opportunity for the Independent Shareholders to realize their investments in the Company. However, we would like to remind the Independent Shareholders that there is no guarantee that the trading price of the Shares will sustain and be higher than the Offer Price during and after the Offer period. The Independent Shareholders, in particular, those who wish to realize their investments in the Shares, are reminded to closely monitor the market price of the Shares during the Offer period.

(b) *Historical liquidity of the Shares*

The following chart sets out the daily trading volume of the Shares on the Stock Exchange during the Review Period:

Chart 2: Daily trading volume of the Shares during the Review Period



Source: www.hkex.com.hk

LETTER FROM CSC ASIA

The following table sets out the total trading volume of the Shares, percentage of average daily trading volume of the Shares to the total issued Shares and the Shares held by the public respectively during the Review Period:

Month	Total trading volume of the Shares for the month/period (Shares)	Average daily trading volume (Shares) (Note 1)	Percentage of average daily trading volume of the Shares to total issued Shares % (Note 2)	Percentage of average daily trading volume of the Shares to the Shares held by the public % (Note 3)
2006				
August (from 30 August 2006)	19,100	9,550	0.01	0.01
September	774,900	36,900	0.02	0.04
October	563,620	28,181	0.02	0.03
November	8,585,000	390,227	0.23	0.45
December	14,152,100	744,847	0.45	0.87
2007				
January	2,916,000	132,545	0.08	0.15
February	5,260,800	292,267	0.17	0.34
March	4,595,300	208,877	0.13	0.24
April	8,516,200	473,122	0.28	0.55
May	5,064,700	241,176	0.14	0.28
June	7,255,472	362,774	0.22	0.42
July	54,063,319	2,574,444	1.54	3.00
August (Note 4)	25,462,700	1,212,510	0.73	1.41
September (up to and including the Latest Practicable Date)	4,280,800	389,164	0.23	0.45
Review Period	141,510,011	548,488	0.33	0.64

Source: www.hkex.com.hk

Notes:

1. Calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended.
2. Based on 167,031,016 Shares in issue as at the Latest Practicable Date.

LETTER FROM CSC ASIA

3. Based on 85,777,828 Shares held by the public Shareholders as at the Latest Practicable Date.
4. Trading in the Shares was suspended from 28 August 2007 to 29 August 2007 pending the release of the Announcement.

The trading volume of the Shares during the Review Period was generally thin, except for July 2007 and August 2007 which may have reflected the Shares being dealt with on cum-entitlement to the Dividends basis and the market interest to the Announcement. During the Review Period, the average daily trading volume of the Shares ranged from 9,550 Shares to 2,574,444 Shares, representing approximately 0.01% and approximately 1.54% respectively of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.01% and approximately 3.00% respectively of the total number of Shares held by public Shareholders as at the Latest Practicable Date.

Based on the foregoing, we consider the overall liquidity of the Shares was thin during the Review Period. Independent Shareholders who intend to dispose of a large number of Shares in the market may not be able to do so without exerting downward pressure on the Share price to some extent. We believe that the Offer provides an alternative exit to such Independent Shareholders to realize their investments in full at the Offer Price which may not exist if realize in the open market.

(c) Comparison of Offer Price with comparables

The Group is principally engaged in garment manufacturing and trading. In assessing the fairness and reasonableness of the Offer Price, we have identified six comparable companies currently listed on the Stock Exchange whose principal businesses are similar to the Group (the “Comparable Companies”).

LETTER FROM CSC ASIA

The details of our findings on the Comparable Companies are summarised in the table below:

Stock code	Name of Comparable Companies	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i> <i>(Note 1)</i>	Price to earnings multiple ("PER") <i>(times)</i> <i>(Note 2)</i>	Price to book ratio ("PBR") <i>(times)</i> <i>(Note 3)</i>	Dividend yield <i>(%)</i> <i>(Note 4)</i>
518	Tungtex (Holdings) Company Limited	721.88	8.03	1.28	9.02
643	Carry Wealth Holdings Limited	352.10	5.08	1.07	9.38
928	Tack Fat Group International Limited	2,080.27	5.50	1.23	3.30
2313	Shenzhou International Group Holdings Limited	4,743.45	11.83	2.02	3.94
2368	Eagle Nice (International) Holdings Limited	918.05	11.81	1.60	5.58
2668	Pak Tak International Limited ("Pak Tak")	118.20	113.64 <i>(Note 5)</i>	0.79	-
	Maximum		113.64	2.02	9.38
	Adjusted maximum		11.83 <i>(Note 6)</i>		
	Minimum		5.08	0.79	-
	Average		25.98	1.33	5.20
	Adjusted average		8.45 <i>(Note 6)</i>		
	The Offer	100.05	6.88	1.16	5.01

Source: www.hkex.com.hk and latest published financial reports of the Comparable Companies available as at the Latest Practicable Date.

Notes:

- Market capitalisation is calculated based on the closing share prices as at the Latest Practicable Date of the Comparable Companies and their respective issued share capital as the Latest Practicable Date. Market capitalisation of the Company is calculated based on the Offer Price and the issued share capital as at the Latest Practicable Date.
- PER is calculated based on the closing price of the shares of the Comparable Companies as at the Latest Practicable Date divided by the respective earnings per share per the latest published annual reports. PER implied by the Offer Price is calculated based on the Offer Price divided by the earnings per Share per the 2007 Annual Report.

LETTER FROM CSC ASIA

3. PBR is calculated based on the closing price of the shares of the Comparable Companies as at the Latest Practicable Date divided by the respective NAV per share per the latest published financial reports. PBR implied by the Offer Price is calculated based on the Offer Price divided by the NAV per Share per the 2007 Annual Report.
4. Dividend yield is calculated based on dividend per share of the Comparable Companies based on their latest published annual reports and the respective closing price of the shares of the Comparable Companies as at the Latest Practicable Date. Dividend yield implied by the Offer Price is calculated based on the Offer Price and the dividend per Share per the 2007 Annual Report
5. The net profit attributable to the shareholders of Pak Tak for the year ended 31 March 2007 was approximately HK\$1.0 million. Given the minimal net profit, analysis on Pak Tak's PER is not meaningful. Accordingly, Pak Tak is treated as an outlier in the PER analysis.
6. The adjusted maximum and adjusted average for the PER of the Comparable Companies excluded Pak Tak given the reason as stated in note 5 above.

(i) *Comparison of PER*

PER is considered to be one of the most commonly adopted valuation methodologies for listed companies with recurrent income base. The PER for the Comparable Companies ranged from approximately 5.08 times to approximately 113.64 times, with average PER of approximately 25.98 times. Given the reasons as stated in the notes to the table above, in particular the minimal net profit attributable to shareholders of Pak Tak as explained in note 5, the PER of the Comparable Companies (after excluding the outlier Pak Tak) ranged from approximately 5.08 times to approximately 11.83 times (the "Comparable PER Range"), with an adjusted average PER of approximately 8.45 times.

Based on the Group's profit for FY2007 of approximately HK\$14.56 million as reported in the 2007 Annual Report and 167,031,016 Shares in issue on the Last Trading Day, the Group's basic earnings per share for FY2007 was approximately HK\$0.0871. The Offer Price represents a PER of approximately 6.88 times based on Group's EPS for FY2007. The PER implied by the Offer Price is within the Comparable PER Range although lower than the adjusted average PER of the Comparable Companies of approximately 8.45 times.

(ii) *Comparison of PBR*

As an additional reference, we have also reviewed the PBR implied by the Offer Price. Based on the Group's consolidated NAV of approximately HK\$86.44 million as shown in the 2007 Annual Report and 167,031,016 Shares in issue as at the Latest Practicable Date, the NAV per share was approximately HK\$0.5175, as such, the PBR implied by the Offer Price was approximately 1.16 times.

LETTER FROM CSC ASIA

The PBR for the Comparable Companies ranged from approximately 0.79 times to approximately 2.02 times (the “Comparable PBR Range”), with average PBR of approximately 1.33 times. The PBR implied by the Offer Price is within the Comparable PBR Range and slightly below the average PBR of the Comparable Companies.

(iii) Comparison of dividend yield

According to the 2007 Annual Report, a final dividend of HK\$0.03 per Share was proposed for FY2007, which represents a dividend yield of approximately 5.01% based on the Offer Price. As set out in the table above, the dividend yield of the Comparable Companies ranged from nil to approximately 9.38%, with an average of approximately 5.20%. Accordingly, the dividend yield of Shares based on the Offer Price is within the range of dividend yield of the Comparable Companies and slightly below the average dividend yield of the Comparable Companies.

We note that the PER, PBR and dividend yield (collectively the “Ratios”) as implied by the Offer Price are within the range of the Ratios of the Comparable Companies. It is also noted that the Ratios implied by the Offer Price are below the average of the Comparable Companies.

As each of the Comparable Companies may not be entirely comparable to the Group in terms of the scale of operations, market capitalisation, track record, asset base, future prospects and other relevant criteria and all of these factors may affect the valuation of a company as illustrated by the various results in our comparison, the above comparison is for illustrative purposes only. Accordingly, in forming our opinion, we have considered the findings of the above comparison together with other factors stated in this letter as a whole.

On the above basis and from the sole perspective assessment of the Offer Price with reference to the Comparable Companies, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

(d) Comparison to past cash offer transactions

In order to further assess the fairness and reasonableness of the Offer Price, we have, to the best of our knowledge and based on the information available from the Stock Exchange’s website, reviewed and compared with all the mandatory cash offers (excluding privatisations) as announced by companies listed on the Main Board of the Stock Exchange (the “Cash Offer Comparables”) during the period from 1 January 2007 to the date of the Share Purchase Agreement. For each of the Cash Offer Comparables, we have reviewed discounts/premiums represented by the offer price to/over (i) audited consolidated earnings per share: (ii) closing price on the last full trading day before the respective announcements of the Cash Offer Comparables; (iii) the consolidated NAV per share: and (iv) dividend per share.

LETTER FROM CSC ASIA

In this regards, we have identified a total of 20 Cash Offer Comparables during the period under review. The table below sets out the comparison between the Offer and the Cash Offer Comparables:

Date of announcement	Name of Cash Offer Comparables (stock code)	Principal Business	Offer price (HK\$)	Market capitalisation as at the last trading day before the respective announcement (HK\$ million) (Note 1)	Premium/ (discount) of offer price over/ (to) closing price on the last full trading day before the respective announcement	Premium/ (discount) of offer price over/(to) consolidated NAV per share	PER (times) (Note 2)	Dividend yield (%) (Note 4)
					(%) (Note 3)	(%) (Note 3)		
9 January 2007	Climax International Company Limited ("Climax") (439)	Manufacturing, marketing and distribution of paper products	0.100	43.83	(23.08)	(71.88)	N/A (Note 5)	-
13 February 2007	Zhongtian International Limited (2379)	Provision of system integration services, development of customised software products, sale of hardware and software products and provision of maintenance and other services	0.100	70.00	(42.86)	(73.12)	4.09	7.50
16 February 2007	Mexan Limited ("Mexan") (22)	Property investment, hotel operation, investment holding and toll road projects	0.107	648.91	(78.44)	(88.62)	N/A (Note 5)	-
1 March 2007	Pacific Century Insurance Holdings Limited (65) (Note 6)	Individual and group life insurance and asset management	8.180	4,216.78	58.22	142.73	157.92	0.61
16 March 2007	Carico Holdings Limited ("Carico") (729)	Manufacturing and trading of automotive components, investment in securities, provision of securities brokerage services and provision of logistics services	0.265	368.48	23.26	191.05	N/A (Note 5)	-

LETTER FROM CSC ASIA

Date of announcement	Name of Cash Offer (stock code)	Principal Business	Offer price (HK\$)	Market capitalisation as at the last trading day before the respective announcement (HK\$ million) (Note 1)	Premium/ (discount) of	Premium/ (discount) of offer price over/(to) consolidated NAV per share (%) (Note 3)	PER (times) (Note 2)	Dividend yield (%) (Note 4)
					offer price over/ (to) closing price on the last full trading day before the respective announcement (%)			
26 April 2007	Taifook Securities Group Limited (665)	Securities and futures contracts broking and trading, provision of margin and other financing, corporate advisory, placing and underwriting services, bullion contracts dealing and trading, leverage foreign exchange trading, provision of nominee and custodian services, fund management and provision of financial planning services	2.430	1,290.72	13.55	23.98	8.18	5.76
8 May 2007	World Trade Bun Kee Ltd. (380)	Importing and selling of a comprehensive range of pipes, fittings and other related accessories of different materials, applications and brandnames in Hong Kong. Also engaged in warehouse business for a variety of products	1.850	1,245.55	(64.08)	31.21	7.54	3.24
9 May 2007	Artfield Group Limited ("Artfield") (1229)	Manufacturing and trading of clocks, timepieces, gifts and premium products, the trading of metals and the operation of computer on-line game "Shanghai Storm"	0.550	447.58	(62.59)	(4.35)	N/A (Note 5)	-

LETTER FROM CSC ASIA

Date of announcement	Name of Cash Offer Comparables (stock code)	Principal Business	Offer price (HK\$)	Market capitalisation as at the last trading day before the respective announcement (HK\$ million) (Note 1)	Premium/ (discount) of offer price over/ (to) closing price on the last full trading day before the respective announcement	Premium/ (discount) of offer price over/(to) consolidated NAV per share (%) (Note 3)	PER (times) (Note 2)	Dividend yield (%) (Note 4)
					(%)			
14 May 2007	RBI Holdings Limited (566)	Manufacture, design and sale of toys	1.390	403.77	13.93	(8.55)	15.21	3.60
14 May 2007	Prosperity Investment Holdings Limited (310)	Holding of equity or equity-related investments and the provision of management services to the investee companies	0.140	131.75	(55.74)	(76.72)	6.03	-
14 May 2007	Techtronic Industries Company Limited (669)	Manufacture & trading of electrical and electronic products	3.600	15,955.07	(66.91)	(25.48)	4.92	5.31
16 May 2007	The Hong Kong Building and Loan Agency Limited (145)	Investment holding, treasury investments and provision of mortgage finance and other related services	1.475	517.50	(35.87)	43.20	29.50	-
16 May 2007	MAE Holdings Limited ("MAE") (851)	Manufacture and sale of electrical products, adapters and transformers and other products	2.292	77.02	(75.63)	N/A (Note 7)	N/A (Note 5)	-
28 June 2007	China Pharmaceutical Group Limited (1093)	Manufacture and sale of pharmaceutical products	1.670	4,091.41	(37.16)	(3.01)	163.87	-
5 July 2007	Gay Giano International Group Limited (686)	Manufacture, retail and wholesale of fashion apparel and complementary accessories	0.833	211.97	(20.63)	248.70	77.89	-
30 July 2007	Rising Development Holdings Limited (1004)	Investment holding, trading in equity securities, the manufacture and sale of fur garments, and the sale of fur skins	0.920	686.21	(18.58)	70.97	8.80	3.48

LETTER FROM CSC ASIA

Date of announcement	Name of Cash Offer Comparables (stock code)	Principal Business	Offer price (HK\$)	Market capitalisation as at the last trading day before the respective announcement (HK\$ million) (Note 1)	Premium/ (discount) of	Premium/ (discount) of offer price over/(to) consolidated NAV per share (%) (Note 3)	PER (times) (Note 2)	Dividend yield (%) (Note 4)
					offer price over/ (to) closing price on the last full trading day before the respective announcement (%)			
3 August 2007	Enric Energy Equipment Holdings Limited (3899)	Provision of integrated business solutions in the energy equipment industry, and the design, manufacture and sale of specialised gas equipment	5.920	3,684.62	(27.36)	414.78	26.49	-
7 August 2007	MACRO-LINK International Holdings Limited (472)	Manufacture, wholesale and distribution of winery products	0.270	1,045.83	(70.33)	114.29	25.00	-
8 August 2007	Digital China Holdings Limited (861)	Distribution of general information technology and systems products and provision of systems integration services	3.500	3,157.76	(2.78)	56.25	14.63	2.37
23 August 2007	Yardway Group Limited ("Yardway") (646)	Trading of vehicles, machinery, equipment, yachts, spare parts and the provision of engineering services	0.500	194.57	(27.54)	31.58	N/A (Note 5)	-
	Maximum				58.22	414.78	163.87	7.50
	Minimum				(78.44)	(88.62)	4.09	-
	Average						39.29	1.59
	Average premium				27.24	124.43		
	Average discount				(44.35)	(35.61)		
29 August 2007	The Offer	Garment manufacturing and trading	0.599	192.09	(47.91)	15.75	6.88	5.01

Source: *www.hkex.com.hk and latest published financial reports of the Cash Offer Comparables available prior to the release of the respective cash offer announcements*

Note:

1. Market capitalisation as quoted on the Stock Exchange as at the last trading day immediately before the release of the respective cash offer announcements.
2. PER is calculated based on the offer price divided by the latest audited earnings per share set out in the latest published financial reports of the Cash Offer Comparables and the Company available prior to the release of the respective cash offer announcements.

LETTER FROM CSC ASIA

3. NAV per share is calculated based on latest published financial information of the respective Cash Offer Comparables available prior to the release of the respective cash offer announcements. The NAV per Share is based on the Company's audited consolidated balance sheet as at 31 March 2007.
4. Dividend yield is calculated based on the dividend per share set out in the latest published audited financial reports of the Cash Offer Comparables and the Company available prior to the release of the respective cash offer announcements and the offer price of the respective Cash Offer Comparables and the Company.
5. Each of Climax, Mexan, Carico, Artfield, MAE and Yardway recorded audited losses during their respective latest financial year.
6. On 8 August 2007, the offeror had exercised the powers of compulsory acquisition and acquired the disinterested shares of Pacific Century Insurance Holdings Limited not acquired by it. Shares of Pacific Century Insurance Holdings Limited was withdrawn from listing with effect from 15 August 2007.
7. MAE recorded deficiency in the latest NAV.

As illustrated in the above table, the Cash Offer Comparables had offer prices set at a range ranging from a discount of approximately 78.44% to a premium of approximately 58.22% to their respective closing prices as quoted on the last trading day prior to the date of the relevant announcement. The discount of approximately 47.91% of the Offer Price to the closing price of the Shares on the Last Trading Day is within the range of those of the Cash Offer Comparables though greater than the average discount of that of the Cash Offer Comparables of approximately 44.35%.

Based on the offer price of the Cash Offer Comparables, the Cash Offer Comparables were traded at a level ranging from a discount of approximately 88.62% to a premium of approximately 414.78% over their respective NAV per share. The premium of the Offer Price over the audited NAV per Share as at 31 March 2007 of approximately 15.75% is lower than the average premium of the Cash Offer Comparables over their respective NAV per share of approximately 124.43% but is within the range of those of the Cash Offer Comparables.

As set out in the above table, the PER represented by the Offer Price of approximately 6.88 times is lower than the average PER of the Cash Offer Comparables of approximately 39.29 times. However, it is within the range of the Cash Offer Comparables PER which ranged from approximately 4.09 times to approximately 163.87 times.

The dividend per Share of HK\$0.03 for FY2007 represents a dividend yield of approximately 5.01% based on the Offer Price. As set out in the above table, the dividend yields of the Cash Offer Comparables ranged from nil to 7.50%, with an average of approximately 1.59%. Accordingly, the dividend yield of the Company is within the range and higher than the average dividend yield of the Cash Offer Comparables.

LETTER FROM CSC ASIA

The Cash Offer Comparables are for illustrative purposes only and may not be directly comparable to the Company in terms of business, market capitalisation, scale of operations, asset base, risk profile, track record, future prospects and other relevant criteria. All these factors may affect the valuation of a company as indicated by varied range of results of our comparisons. In forming our opinion, we have considered the valuations of the Cash Offer Comparables together with all other factors stated in this letter as a whole.

On the above basis and from the sole perspective assessment of the Offer Price with reference to the Cash Offer Comparables, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons in respect to the Offer, in particular,

- uncertainty of the market and economic conditions on imports of Chinese clothing and textiles between the PRC and the US upon the expiration of the bilateral agreement by end of 2008;
- no concrete business strategy or expansion plans on the Group's future business development had been announced by the Offeror pending the result of its review of the existing business operation of the Group;
- the trading liquidity of the Shares had been thin during most of the Review Period which may hinder the Independent Shareholders from disposing of their Shares in the market without triggering substantial price fall of the Shares;
- the Offer Price represents a premium of approximately 15.75% over the audited consolidated NAV per Share of approximately HK\$0.5175 as at 31 March 2007, which falls within the range as represented by the Cash Offer Comparables;
- the discount of approximately 47.91% of the Offer Price to the closing price of the Shares on the Last Trading Day is within the range of those of the Cash Offer Comparables;
- the PBR implied by the Offer Price is within the range of those of the Comparable Companies;
- the PER and the dividend yield implied by the Offer Price are within the range of those of the Comparable Companies and the Cash Offer Comparables; and
- the dividend yield based on the Offer Price is higher than the average dividend yield of the Cash Offer Comparables;

LETTER FROM CSC ASIA

we are of the view that, despite that the Offer Price represented a discount to the closing price of the Shares as at the Latest Practicable Date, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. In addition, the Offer is incidental to and as a result of the completion of the purchase of the Sale Shares by the Offeror at approximately HK\$0.599 per Share (the “Purchase Price”). Under the Offer, the Independent Shareholders are treated even-handedly by the Offeror as the Offer Price is insignificantly greater than the Purchase Price. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Irrespective of the above, we would like to remind the Independent Shareholders that the Shares had been trading at prices ranging from HK\$1.00 to HK\$1.46 per Share on an ex-Dividends basis during the Post-Announcement Period, which represented discounts ranging from 40.10% to approximately 58.97% to the Offer Price. The Independent Shareholders are reminded that they should carefully closely monitor the market price of the Shares during the Offer period and consider selling their Shares in the open market during the Offer period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer.

The Independent Shareholders who wish to retain part or all of their investment in the Shares should carefully consider the future prospects and business of the Company and/or the new management team that may be brought in by the Offeror and future intentions of the Offeror regarding the Group after the close of the Offer, details of which are set out in the “Letter from ESL”.

The Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Document and are strongly advised that the decision of to realise or hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
CSC Asia Limited

Andrew Chiu
Managing Director

Winnie Yau
Director

1. FURTHER PROCEDURES FOR ACCEPTANCE

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name(s), and you wish to accept the Offer, you must send the accompanying Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
- (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorizing it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnify or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities)/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities)/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

- (c) If the certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to ESL and/or the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on Wednesday, 10 October 2007 or such later time and/or date as the Offeror may determine in compliance with the requirements of the Takeovers Code and announce, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered shareholder of Shares or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered holder of Shares, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) The address of the Registrar is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has previously been declared unconditional or extended or revised, the latest time and date for acceptance will be 4:00 p.m. on 10 October 2007. The Offer is conditional upon the Offeror receiving acceptance in respect of the Shares, which together with Shares already held by it and parties acting in concert with it before and during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. Pursuant to the Takeovers Code, where the Offer is declared unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter. The Offeror will make an announcement as and when the Offer becomes unconditional.

The Offeror is entitled to extend or revise the Offer in accordance with the Takeovers Code after the date of this Composite Document. If the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. If the Offer is revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised offer document to the Shareholders. If the Offer is revised or extended, an announcement of such revision or extension will be published stating the revised closing date of the Offer.

In order to be valid, the relevant Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on 10 October 2007, unless the Offer becomes or is declared unconditional. In the event that the Offer becomes or is declared unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter.

Under Rule 15.5 of the Takeovers Code, except with the consent of the Executive, an offer (whether revised or not) may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the day on which this Composite Document was posted. In accordance with the Takeovers Code, where a period laid down by the Takeovers Code ends on a day which is not a business day, the period is extended until the next business day. Accordingly, unless the Offer is previously become or declared unconditional, the Offer will lapse at 7:00 p.m. on Monday, 19 November 2007 (and/or the Offer is extended by the Offeror with the consent of the Executive).

3. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on Wednesday, 10 October 2007 which is the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension, or expiry or unconditionality of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating whether the Offer has been revised, extended, expired or have become or been declared unconditional. A notification of such announcement will be published on the next business day, i.e. Thursday, 11 October 2007.

The announcement must state the following:

- (i) the total number of all issued Shares and rights over shares for which acceptances of the Offer have been received;
- (ii) the total number of Shares and rights over shares held, controlled or directed by the Offeror or parties acting in concert with it before the Offer period; and
- (iii) the total number of Shares and rights over shares acquired or agreed to be acquired during the Offer period by the Offeror or parties acting in concert with it.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) Acceptances not complete in all respects and purchases must only be included in the totals in an announcement under Rule 19 of the Takeovers Code where they could be counted towards fulfilling an acceptance condition under Note 1 to Rule 30.2 of the Takeovers Code.
- (c) As required under the Takeovers Code and the Listing Rules, a notification of any announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

4. RIGHT OF WITHDRAWAL

In accordance to Rule 17 of the Takeovers Code, an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the Offer has not by then become unconditional by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar. However, such entitlement to withdraw shall be exercisable only until such time as the Offer becoming unconditional as to acceptance. Save as aforesaid and except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the section headed "Announcements" above, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such requirements can be met. Except in the circumstances set out above, acceptances shall be irrevocable and not capable of being withdrawn.

5. OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such persons who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.

6. SETTLEMENT

Provided that the Form of Acceptance and relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are completed and in good order and have been received by the Registrar by no later than 4:00 p.m. on the First Closing Date, a cheque for the amount due to each accepting Shareholder in respect of the Shares tendered by him under the Offer, less seller's ad valorem stamp duty payable by him/her/it, will be despatched to each accepting Shareholder at the address specified on the Form of Acceptance by ordinary post at his/her/its own risk as soon as possible but in any event within 10 days of the later of the date on which all the relevant documents of title are received by the Registrar to render such acceptance complete and valid, and the date on which the Offer becomes, or is declared, unconditional.

The settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

7. GENERAL

- (a) All communications, notices, Forms of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither the Company, the Offeror, ESL, and any of their respective agents nor the Registrar accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Form(s) of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, ESL or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct, the Shares in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer is sold by any such person or persons free from all liens, claims and encumbrances and together with all rights attaching thereto including the right to receive all future dividends or other distributions, if any, declared, paid or made on the Shares on or after the date of this Composite Document.
- (g) Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 or part thereof (rounded up to the nearest dollar) of the greater of (i) the consideration payable; and (ii) the market value of the Shares arising in connection with acceptance of the Offer, is payable by accepting Shareholders and will be deducted from the consideration payable to the Independent Shareholders accepting the Offer and will be settled by the Offeror on behalf of such accepting Shareholders.
- (h) References to the Offer in this document and in the Form(s) of Acceptance shall include any extension and/or revision thereof.
- (i) The English text of this document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

I. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the financial results of the Group for each of the three years ended 31 March 2007. The information is extracted from Group's audited accounts which are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The auditors' reports by Deloitte Touche Tohmatsu in respect of the Group's audited accounts for the three years ended 31 March 2007 did not contain any qualification. The Company has declared and paid dividends of HK2.0 cents, HK3.0 cents, HK3.0 cents in years 2005, 2006 and 2007 respectively. In addition, the Company has declared and paid special dividends of HK29 cents per Share in 2007. The Company has no exceptional and/or extraordinary items and minority interests for each of the three years ended 31 March 2007.

Summary of financial information for each of the three years ended 31 March 2007

RESULTS	Year ended 31 March		
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	161,850	152,761	176,258
Profit before taxation	15,897	12,277	11,701
Taxation	(1,341)	(1,225)	(1,165)
Profit for the year	<u>14,556</u>	<u>11,052</u>	<u>10,536</u>
Attributable to equity holders of the Company	<u>14,556</u>	<u>11,052</u>	<u>10,536</u>
Total dividend paid			
– final dividend	5,011	5,011	3,341
– special dividend	48,439	–	–
	<u>53,450</u>	<u>5,011</u>	<u>3,341</u>
Dividend per share :			
– final dividend	HK3 cents	HK3 cents	HK2 cents
– special dividend	HK29 cents	–	–
	<u>HK32 cents</u>	<u>HK3 cents</u>	<u>HK3 cents</u>
Earnings per share-basic	<u>HK8.71 cents</u>	<u>HK6.62 cents</u>	<u>HK6.31 cents</u>
ASSETS AND LIABILITIES		As at 31 March	
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Total assets	104,896	89,202	93,355
Total liabilities	(18,457)	(12,794)	(24,866)
Shareholders' funds	<u>86,439</u>	<u>76,408</u>	<u>68,489</u>

II. FINANCIAL INFORMATION

Set out below are the income statement of Group for each of the two years ended 31 March 2006 and 2007 and the balance sheets as at 31 March 2006 and 31 March 2007 together with the relevant notes thereto as extracted from the 2007 annual report of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Consolidated Income Statement*For the year ended 31 March 2007*

	<i>NOTES</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover		161,850	152,761
Cost of sales		<u>(137,213)</u>	<u>(129,353)</u>
Gross profit		24,637	23,408
Other income		2,167	1,248
Distribution and selling expenses		(1,485)	(1,106)
Administrative expenses		<u>(9,422)</u>	<u>(11,273)</u>
Profit before taxation		15,897	12,277
Taxation	6	<u>(1,341)</u>	<u>(1,225)</u>
Profit for the year	7	<u><u>14,556</u></u>	<u><u>11,052</u></u>
Earnings per share – basic	9	<u><u>8.71 HKcents</u></u>	<u><u>6.62 HKcents</u></u>

Consolidated Balance Sheet*At 31 March 2007*

	<i>NOTES</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current asset			
Property, plant and equipment	<i>10</i>	<u>2,769</u>	<u>3,477</u>
Current assets			
Inventories	<i>11</i>	30,715	22,696
Trade and other receivables	<i>12</i>	18,190	11,619
Pledged bank deposit	<i>19</i>	9,040	8,579
Bank balances and cash	<i>13</i>	<u>44,182</u>	<u>42,831</u>
		<u>102,127</u>	<u>85,725</u>
Current liabilities			
Trade and other payables	<i>14</i>	18,311	12,326
Taxation payable		<u>84</u>	<u>341</u>
		<u>18,395</u>	<u>12,667</u>
Net current assets		<u>83,732</u>	<u>73,058</u>
Total assets less current liabilities		86,501	76,535
Non-current liability			
Deferred taxation	<i>15</i>	<u>(62)</u>	<u>(127)</u>
Net assets		<u><u>86,439</u></u>	<u><u>76,408</u></u>
Capital and reserves			
Share capital	<i>16</i>	1,670	1,670
Reserves		<u>84,769</u>	<u>74,738</u>
Total equity		<u><u>86,439</u></u>	<u><u>76,408</u></u>

Consolidated Statement of Changes in Equity*For the year ended 31 March 2007*

	Share capital <i>HK\$'000</i>	Contributed surplus (note 17) <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At April 1, 2005	1,670	60,737	3,781	–	2,301	68,489
Exchange difference arising on translation of foreign operations, recognised directly in equity	–	–	–	208	–	208
Profit for the year	–	–	–	–	11,052	11,052
Total recognised income for the year	–	–	–	208	11,052	11,260
Dividend paid	–	(3,341)	–	–	–	(3,341)
At March 31, 2006 and April 1, 2006	1,670	57,396	3,781	208	13,353	76,408
Exchange difference arising on translation of foreign operations, recognised directly in equity	–	–	–	486	–	486
Profit for the year	–	–	–	–	14,556	14,556
Total recognised income for the year	–	–	–	486	14,556	15,042
Dividend paid	–	(5,011)	–	–	–	(5,011)
At March 31, 2007	<u>1,670</u>	<u>52,385</u>	<u>3,781</u>	<u>694</u>	<u>27,909</u>	<u>86,439</u>

Consolidated Cash Flow Statement*For the year ended 31 March 2007*

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities		
Profit before taxation	15,897	12,277
Adjustments for:		
Bank interest income	(2,125)	(1,069)
Allowance for inventories	1,047	1,701
Depreciation	1,550	1,747
Impairment loss recognised in respect of property, plant and equipment	166	–
Gain on disposal of property, plant and equipment	(5)	(4)
Operating cash flows before movements in working capital	16,530	14,652
(Increase) decrease in inventories	(9,066)	7,886
(Increase) decrease in trade and other receivables	(6,571)	4,799
Increase (decrease) in trade and other payables	5,985	(11,577)
Cash generated from operations	6,878	15,760
Hong Kong Profits Tax paid	(1,663)	(1,720)
Net cash from operating activities	<u>5,215</u>	<u>14,040</u>
Investing activities		
Interest received	2,125	1,069
Purchase of property, plant and equipment	(1,079)	(789)
Proceeds from disposal of property, plant and equipment	76	7
Increase in pledged bank deposit	(461)	(435)
Net cash from (used in) investing activities	<u>661</u>	<u>(148)</u>
Cash used in financing activity		
Dividend paid	(5,011)	(3,341)
Net increase in cash and cash equivalents	865	10,551
Cash and cash equivalents at April 1	42,831	32,072
Effect of foreign exchange rate changes	486	208
Cash and cash equivalents at March 31 represented by bank balances and cash	<u><u>44,182</u></u>	<u><u>42,831</u></u>

Notes To The Consolidated Financial Statements

For the year ended 31 March 2007

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of the Annual Report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in garment manufacture and trading and details are set out in note 24.

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

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (new “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after December 1, 2005, January 1, 2006 or March 1, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment, revision or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 23 (Revised)	Borrowing costs ²
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁵
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions ⁶
HK(IFRIC) – INT 12	Service concession arrangements ⁷

¹ Effective for annual periods beginning on or after January 1, 2007.

² Effective for annual periods beginning on or after January 1, 2009.

³ Effective for annual periods beginning on or after May 1, 2006.

⁴ Effective for annual periods beginning on or after June 1, 2006.

⁵ Effective for annual periods beginning on or after November 1, 2006.

⁶ Effective for annual periods beginning on or after March 1, 2007.

⁷ Effective for annual periods beginning on or after January 1, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, 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 HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

Property, plant and equipment

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

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

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

Impairment

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Turnover

Turnover represents the net amounts received and receivable for goods sold during the year.

Revenue recognition

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

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

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 the asset's net carrying amount.

Leasing

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

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

Taxation

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

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

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

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

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

Textile quotas

The cost of acquiring temporary textile quotas are dealt with in the income statement in the year in which they are utilised. Textile quotas allocated by the authorities are not capitalised and are not included as assets in the balance sheet.

Financial instruments

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

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables, pledged bank deposits and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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 which include trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

Foreign currencies

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

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

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 (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit scheme

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expenses when employees have rendered service entitling them to the contributions.

4. FINANCIAL INSTRUMENTS**Financial risk management objectives and policies**

The Group's financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash and trade and other payables. 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 appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has trade receivables and pledged bank deposit denominated in foreign currencies (see notes 12 and 19), which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Interest bearing financial assets are mainly bank balances carried at prevailing market rate, that exposed the group to cash flow interest risk. The Group's fair value interest rate risk relate to the pledged bank deposits. However, such interest rate risk exposures are immaterial to the Group as the bank balances and pledged bank deposit are all short-term in nature.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at March 31, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on trade receivables is concentrated on a few customers. Trade receivables attributable to the Group's largest and second largest customer represent approximately 97% and 3% (2006: 93% and 7%) of the total trade receivables at the balance sheet date. The aggregate balance of the related trade receivables amounted to approximately HK\$17,605,000 at March 31, 2007.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Fair values of financial assets and financial liabilities

The carrying amounts of bank balances and cash, pledged bank deposits, trade and other receivables, trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

5. SEGMENT INFORMATION

(A) Business segments

The Group's entire turnover and more than ninety percent of The Group's assets are contributed by its garment business and therefore no business segment analysis is presented.

(B) Geographical segments

The Group's operations are located in Hong Kong. All the Group's turnover and contribution to results were derived from the sales to the United States of America ("USA").

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USA	17,605	11,195	–	–
Hong Kong	45,111	42,950	2	–
Mainland China (the “PRC”)	33,301	25,590	1,077	789
	96,017	79,735	1,079	789
Unallocated	8,879	9,467	–	–
	<u>104,896</u>	<u>89,202</u>	<u>1,079</u>	<u>789</u>

6. TAXATION

The taxation charge comprises:

	2007 HK\$'000	2006 HK\$'000
Hong Kong Profits Tax		
– current year	1,398	1,304
– under(over) provision in prior years	<u>8</u>	<u>(2)</u>
	1,406	1,302
Deferred taxation		
– deferred taxation credit (<i>note 15</i>)	<u>(65)</u>	<u>(77)</u>
	<u>1,341</u>	<u>1,225</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

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

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation	<u>15,897</u>	<u>12,277</u>
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	2,782	2,148
Tax effect of expenses that are not deductible in determining taxable profit	30	89
Tax effect of income that is not taxable in determining taxable profit	(1,696)	(1,387)
Under(over) provision in prior years	8	(2)
Tax effect of unrecognised tax losses	272	597
Effect of different tax rate of a subsidiary operating in other jurisdiction	<u>(55)</u>	<u>(220)</u>
Tax charge for the year	<u>1,341</u>	<u>1,225</u>

7. PROFIT FOR THE YEAR

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' emoluments (<i>note 7(a)</i>)	1,080	820
Other staff costs	3,265	4,344
Other staff's retirement benefit scheme contributions	<u>140</u>	<u>158</u>
Total staff costs	<u>4,485</u>	<u>5,322</u>
Auditors' remuneration:		
– current year	480	443
– underprovision in prior years	17	–
Allowance for inventories	1,047	1,701
Cost of inventories recognised as expense	133,537	126,502
Depreciation	1,550	1,747
Impairment loss recognised in respect of property, plant and equipment	166	–
Net exchange loss	281	330
Operating lease rentals in respect of:		
– rented premises	1,021	914
– motor vehicle	155	236
Textile quota expenses	2,629	1,150
and after crediting:		
Bank interest income	2,125	1,069
Gain on disposal of property, plant and equipment	<u>5</u>	<u>4</u>

Notes:

(a) Information regarding directors' and employees' emoluments

The emoluments paid or payable to each of the eight (2006: eight) directors as follows:

	Ling Tai Yuk, John HK\$'000	Kong Ho Pak HK\$'000	Pang Hon Chung HK\$'000	Keir, Tsoh Ching, James Jonathan HK\$'000	Lee Tsoh Ching, Jonathan HK\$'000	Leung Shu Yin, William HK\$'000	Chau Wai Yin, Jonathan HK\$'000	Ng Tze Kin, David HK\$'000	2007 Total HK\$'000
Fees	50	50	50	50	50	80	50	50	430
Other emoluments									
Salaries and other benefits	650	-	-	-	-	-	-	-	650
	<u>700</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>80</u>	<u>50</u>	<u>50</u>	<u>1,080</u>
	Ling Tai Yuk, John HK\$'000	Kong Ho Pak HK\$'000	Pang Hon Chung HK\$'000	Keir, Tsoh Ching, James Jonathan HK\$'000	Lee Tsoh Ching, Jonathan HK\$'000	Leung Shu Yin, William HK\$'000	Chau Wai Yin, Jonathan HK\$'000	Ng Tze Kin, David HK\$'000	2006 Total HK\$'000
Fees	50	50	50	50	50	80	50	50	430
Other emoluments									
Salaries and other benefits	390	-	-	-	-	-	-	-	390
	<u>440</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>80</u>	<u>50</u>	<u>50</u>	<u>820</u>

No directors waived any emoluments in both years ended March 31, 2007 and March 31, 2006.

(b) Employees

The five highest paid individuals of the Group included one director (2006: one director), whose emoluments are disclosed above. The emoluments of the remaining four (2006: four) highest paid employees are as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and others	2,144	1,880
Retirement benefit scheme contributions	48	46
	<u>2,192</u>	<u>1,926</u>

The emoluments of each of the four (2006: four) highest paid employees were below HK\$1,000,000.

During the year, no emoluments (2006: nil) were paid by the Group to the five highest paid individuals of the Group (including directors) as an inducement to join or upon joining the Group or as compensation for loss of office. No director had waived any emoluments during both years.

8. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Ordinary shares:		
Final dividends paid – HK3 cents per share for the year ended March 31, 2006 (2006: HK2 cents per share for the year ended March 31, 2005)	<u>5,011</u>	<u>3,341</u>

A final dividend of HK3 cents per share and a special dividend of HK29 cents per share for the year ended March 31, 2007 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of HK\$14,556,000 (2006: HK\$11,052,000) and on 167,031,016 (2006: 167,031,016) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding in both years.

10. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At April 1, 2005	16,435	4,094	2,709	1,984	25,222
Additions	374	415	–	–	789
Disposals	(166)	(151)	–	–	(317)
At March 31, 2006	16,643	4,358	2,709	1,984	25,694
Additions	894	42	141	2	1,079
Disposals	(712)	(232)	(477)	–	(1,421)
At March 31, 2007	16,825	4,168	2,373	1,986	25,352
DEPRECIATION AND IMPAIRMENT					
At April 1, 2005	13,187	3,372	2,257	1,968	20,784
Provided for the year	1,266	281	184	16	1,747
Eliminated on disposals	(166)	(148)	–	–	(314)
At March 31, 2006	14,287	3,505	2,441	1,984	22,217
Provided for the year	1,114	295	139	2	1,550
Impairment loss recognised	–	105	61	–	166
Eliminated on disposals	(712)	(231)	(407)	–	(1,350)
At March 31, 2007	14,689	3,674	2,234	1,986	22,583
NET BOOK VALUES					
At March 31, 2007	2,136	494	139	–	2,769
At March 31, 2006	2,356	853	268	–	3,477

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

Machinery and equipment	5 – 33 $\frac{1}{3}$ %
Furniture and office equipment	10 – 33 $\frac{1}{3}$ %
Motor vehicles	10 – 20%
Leasehold improvements	Shorter of the lease periods or 20%

11. INVENTORIES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Raw materials	18,129	13,931
Work in progress	9,526	6,047
Finished goods	3,060	2,718
	<u>30,715</u>	<u>22,696</u>

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivable of HK\$17,605,000 (2006: HK\$11,195,000). The following is an aged analysis of trade receivables:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 – 30 days	17,605	10,956
31 – 60 days	–	239
	<u>17,605</u>	<u>11,195</u>

Credit policy:

Apart from payment by letter of credit, settlement is generally on an open account basis with credit terms ranging from 30 days to 60 days following the month of sale.

All trade receivables are denominated in United States dollars and subject to currency risk.

It is the policy of the Group to allow settlement on an open account basis only by customers who have a good payment record and well-established relationships with the Group. The credit period for such customers is reviewed periodically in response to financial conditions, orders on hand and other credit information.

13. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carry at market interest rate of 4.9% (2006: 4.4%) per annum with an original maturity of three months or less.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$13,919,000 (2006: HK\$9,322,000). The following is an aged analysis of trade payables:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 – 30 days	12,268	7,747
31 – 60 days	1,618	1,535
> 90 days	<u>33</u>	<u>40</u>
	<u><u>13,919</u></u>	<u><u>9,322</u></u>

15. DEFERRED TAXATION

A summary of the deferred tax liability recognised and movement thereon during the current and prior year is as follows:

	Accelerated tax depreciation <i>HK\$'000</i>
At April 1, 2005	204
Credit to income for the year	<u>(77)</u>
At March 31, 2006	127
Credit to income for the year	<u>(65)</u>
At March 31, 2007	<u><u>62</u></u>

At the balance sheet date, the Group has unused tax losses of HK\$13,897,000 (2006: HK\$12,343,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

16. SHARE CAPITAL

	April 1, 2005, March 31, 2006 and March 31, 2007	
	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>167,031,016</u>	<u>1,670</u>

17. CONTRIBUTED SURPLUS

The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium of the then holding company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation on May 25, 1993, together with the amounts transferred from share capital and share premium account as a result of the capital reduction taken place in August 2001, less dividends paid, amounts utilised on redemption of shares and amount eliminated against accumulated losses.

18. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make the following future minimum lease payments in respect of rented premises and a motor vehicle under non-cancellable operating leases with an average lease term of one year which fall due as follows:

	2007		2006	
	Rented premises	Motor vehicle	Rented premises	Motor vehicle
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>752</u>	<u>150</u>	<u>665</u>	<u>150</u>

19. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its bank deposit of HK\$9,040,000 (2006: HK\$8,579,000) to secure the banking facilities granted to the Group. The pledged deposit is denominated in United States dollars and subject to currency risk.

The deposit carries fixed interest rate of 4.9% (2006: 4.4%) per annum. The pledged bank deposit will be released upon expiry or cancellation of the banking facilities.

20. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on September 17, 2004 pursuant to a resolution passed by the Company's shareholders on September 17, 2004 for the primary purposes of providing incentives to any directors or full-time employees of the Company or any of its subsidiaries ("Eligible Employees") and will expire on September 16, 2014. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK\$1 per option to the Eligible Employees to subscribe for shares in the Company.

The maximum number of shares issued or which may be issuable under the Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme at the date of adoption. The number of shares in respect of which options granted and may be granted to any Eligible Employee is not permitted to exceed 30% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer together with the payment of nominal consideration of HK\$1 per option by the grantee.

An option may be exercised at any time during a period not exceeding twelve months commencing after the date the option is accepted. The expiry of the option may be determined by the Board of Directors of the Company which shall not later than the last day of such period.

The exercise price is determined by the Directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the 5 trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

No options have been granted under the Scheme since its adoption.

21. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiary is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

22. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental charges paid to related companies and a director (<i>note a</i>)	934	859
Consultancy fees paid to related companies (<i>note b</i>)	208	398
	<u> </u>	<u> </u>

Notes:

- (a) A director of the Company, Mr. Ling Tak Yuk, John, controls and has beneficial interests in these related companies.

- (b) The spouse of a director controls and has beneficial interests in one of the three related companies. For the other related companies, two other directors of the Company control and have beneficial interests in these two companies separately.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 7.

23. POST BALANCE SHEET EVENT

On May 11, 2007, the Company entered into an agreement with an independent third party, Trump Star Limited, to dispose of a wholly-owned subsidiary of the Company, Gentech (Asia) Limited (“Gentech”), and the related loan advanced by the Group to Gentech at a consideration of HK\$8,879,000. The directors are in the process of estimating the financial impact of such disposal.

Gentech was originally engaged in the development, production and distribution of health food and supplement products in the PRC and became inactive during the year ended March 31, 2007. The disposal was effected in order to allow the Group to focus on its core businesses, i.e. garment manufacture and trading, and to generate cash flows for providing the Group with additional working capital.

24. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at March 31, 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ registered capital held by the Company %	Principal activities
<i>Directly held</i>				
High Dragon Limited	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Invigo Overseas Limited	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Windstar Pacific Limited	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
<i>Indirectly held</i>				
Koniko Company Limited	Hong Kong/ Hong Kong and PRC	HK\$20 Deferred** non-voting shares HK\$22,143,000	100	Garment manufacture and trading

* All are ordinary shares unless otherwise stated.

** None of the deferred non-voting shares are held by the Group. The deferred non-voting shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on winding up.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company with limited liability, except for otherwise denoted, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

25. SUMMARISED BALANCE SHEET OF THE COMPANY

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Assets	61,663	34,025
Liabilities	<u>493</u>	<u>471</u>
Net assets	<u><u>61,170</u></u>	<u><u>33,554</u></u>
Capital and reserves		
Share capital	1,670	1,670
Reserves	<u>59,500</u>	<u>31,884</u>
Total equity	<u><u>61,170</u></u>	<u><u>33,554</u></u>

Profit of the Company for the year ended March 31, 2007 amounted to approximately HK\$32,627,000 (2006: HK\$7,708,000).

III. INDEBTEDNESS STATEMENT

- As at close of business of 31 July 2007, the Group's banking facilities of HK\$20,000,000 were secured by a corporate guarantee from the Company.
- As at of business of 31 July 2007, the Group pledged its bank deposit of HK\$9,193,148 (US\$1,178,608) to secure the banking facilities granted to the Company. (The credit facilities secured have not been used by the Company.)
- As at of business of 31 July 2007, the Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, and term loans.
- Save as disclosed above and apart from intra-group liabilities, as at 31 July 2007, the Group did not have any outstanding bank overdrafts, loans or other similar indebtedness, mortgage, charges, debentures or any guarantees or any litigation (which may give rise to contingent liabilities). As at the Latest Practicable Date, the Directors were not aware of any events that may give rise to any material contingent liabilities.

IV. MATERIAL CHANGE

On 15 May 2007, the Board announced that Invigo Overseas Limited, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Trump Star Limited, an independent third party, for the disposal of non-core business of the Group (which were principally engaged the development, production and distribution of health food and supplement products in the PRC.) at a total consideration of HK\$8,878,686. The transaction was completed on 23 May 2007.

Save as disclosed above, the Board is not aware of any material changes in the financial or trading position or outlook of Company subsequent to 31 March 2007, the date to which the latest audited financial statements of Company were made up.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Group and the Offer.

The information contained in this Composite Document (other than information relating to the Offer, the Offeror and parties acting in concert with it) has been supplied by the Directors who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offer, the Offeror and parties acting in concert with it). The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than information relating to the Offer, the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading. The issue of this Composite Document has been approved by the Board.

The information contained in this Composite Document (other than information of the Group, the Directors and the Vendors) has been supplied by the Offeror. The Offeror and Dr. Yeung accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Group, the Directors and the Vendors). The Offeror and Dr. Yeung confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than information relating to the Group, the Directors and the Vendors) have been arrived at after due and careful consideration, and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company was incorporated in Bermuda under the Companies Act. Its registered office is at Clarendon House, Church Street, Hamilton HM11, Bermuda and its head office and principal place of business is at Suite 1114, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The company secretary of the Company is Ms. Tam Shuit Mui, Amy.

3. SHARE CAPITAL

(a) Authorized and issued share capital

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

Shares		<i>HK\$</i>
<i>Authorised:</i>		
50,000,000,000	Authorised share capital of HK\$500,000,000 divided into 50,000,000,000 Shares	500,000,000
<i>Issued and fully paid:</i>		
167,031,016	Paid up share capital of approximately HK\$1,670,000 divided into 167,031,016 Shares	1,670,000

As at the Latest Practicable Date, no new Shares had been issued by the Company since 31 March 2007 (being the date to which its latest published audited accounts were prepared). All of the Shares currently in issue rank *pari passu* in all respects including, in particular, as to dividends, voting rights and capital.

As at the Latest Practicable Date, the Company did not have any outstanding warrants or share options or other securities carrying rights of conversion into or exchange or subscription for Shares.

(b) Listing

The Shares are listed and traded on the Main Board of the Stock Exchange. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal with, the Shares being or proposed to be sought on through any other stock exchange.

4. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions

7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code, were as follows:

Long position in Shares

Name	Capacity	Total number of Shares	Approximate percentage shareholding %
Mr. Ng Tze Kin, David	Beneficial owner	<u>7,000</u>	<u>0.00</u>

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and Stock Exchange; or (iv) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

(b) Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following substantial Shareholders (within the meaning of the Listing Rules) had the following interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meeting of any member of the Group:

Long position in Shares

Name	Capacity	Total number of Shares	Approximate percentage shareholding %
Rich Wing (<i>Note</i>)	Beneficial owner	<u>81,246,188</u>	<u>48.64</u>

Note:

Rich Wing is wholly-owned by Dr. Yeung and therefore Dr. Yeung is deemed to be interested in the 81,246,188 Shares held by Rich Wing. Ms. Luk Siu Man Semon, the spouse of Dr. Yeung, is also deemed to be interested in the 81,246,188 Shares held by Rich Wing.

Save as disclosed above, as at the Latest Practicable Date, no other substantial Shareholders had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

(c) Other persons having interests or short positions in the shares and underlying shares of the Company

So far as is known to the Directors, as at the Latest Practicable Date, no other persons (other than those interests of the Directors, the chief executive of the Company and the substantial Shareholders disclosed above and interests of persons as recorded in the register to be kept under section 336 of the SFO pursuant to Division 6 of Part XV of the SFO) had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(d) Interests in the Offeror

None of the Company and the Directors were interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives in respect of the Offeror as at the Latest Practicable Date.

(e) Other interests in the Company

As at the Latest Practicable Date,

- (i) save as Mr. Ng Tze Kin, David, a non-executive Director, who is interested in 7,000 Shares, none of the Directors were interested in or owned or controlled any Shares, convertible securities, warrants, options or derivatives in respect of the Company;
- (ii) save for the holding of 81,246,188 Shares by the Offeror, neither the Offeror nor the parties acting in concert with it (including ESL, ECL and Dr. Yeung, the sole director of the Offeror) owned any Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) none of the Company's subsidiaries, pension fund of the Group, professional advisers named under the section headed "Experts and Consents" in this appendix or advisers to the Company as specified in class (2) of the definition of associates under the Takeovers Code, but excluding exempt principal traders, had any interest in the Shares, convertible securities, warrants, options and derivatives of the Company;
- (iv) no Director indicated any intention, in respect of his own shareholding in the Company, to accept or reject the Offer; and
- (v) no Shares, options, warrants, derivatives or securities convertible into Shares were managed on a discretionary basis by fund manager (other than exempted fund manager) connected with the Company.

5. DEALING IN SECURITIES

During the period beginning six months prior to the date of the Announcement (being the commencement date of the offer period pursuant to the Takeovers Code) up to the Latest Practicable Date,

- (a) Save as disclosed below, none of the Company and the Directors had dealt for value the Shares, convertible securities, warrants, options and derivatives of the Offeror or the Company:

Name of Shareholder	Transaction date	Nature of transaction	No. of Shares involves	Price per Share HK\$
Ng Tze Kin, David – a non-executive Director	11 July 2007	Sale	100,000	1.16
			100,000	1.15
			100,000	1.17
			50,000	1.18
			<u>350,000*</u>	
				* representing 0.21% of the total issued share capital of the Company
	12 July 2007	Sale	50,000	1.20
			100,000	1.19
			<u>150,000#</u>	
				# representing 0.09% of the total issued share capital of the Company

- (b) save for the sale and purchase of the Sale Shares by the Offeror and the Vendors pursuant to the Share Purchase Agreement, none of the sole director of the Offeror, the Offeror nor parties acting in concert with the Offeror (including ESL and ECL) had dealt for value in Shares, convertible securities, warrants, options and derivatives of the Company;
- (c) none of the Company's subsidiaries, pension fund of the Group, professional advisers named under the section headed "Experts and Consents" in this appendix or advisers to the Company as specified in class (2) of the definition of associates under the Takeovers Code, but excluding exempt principal traders, had dealt for value in the Shares, convertible securities, warrants, options and derivatives of the Company; and
- (d) no fund manager who managed securities of the Company on a discretionary basis and connected with the Company had dealt for value in any Shares, convertible securities, warrants, options and derivatives of the Company.

6. ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date,

- (i) no benefit will be given to any of the Directors as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;
- (iii) there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (iv) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition to the Offer;
- (v) save as the margin loan facility in a maximum amount of HK\$22 million which has been granted by ESL to the Offeror for the purpose of funding part of the Offer and pursuant to which the Offer Shares which will be acquired by the Offeror by use of the loan will be deposited to ESL as collateral, there was no agreement, arrangement or understanding made by the Offeror or by any person whereby any Shares to be acquired pursuant to the Offer will be transferred, charged or pledged to any other persons;
- (vi) no person prior to the posting of this Composite Document had irrevocably committed himself or herself to accept or reject the Offer;
- (vii) save as the margin loan granted by ESL to the Offeror pursuant to which the Offer Shares which will be acquired by the Offeror by use of the loan will be deposited with ESL from time to time as collateral, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, the Company or with any person who is acting in concert with the Offeror, the Company or with any person who is an associate of the Offeror or an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” as described by the Takeovers Code;
- (viii) there was no arrangement to which the Offeror is a party (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Offer; and
- (ix) no material contract was entered into by the Offeror in which any Director has a material personal interest.

7. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six months period preceding the Last Trading Day and up to the Latest Practicable Date are HK\$1.98 per Share on 27 July 2007 and HK\$0.45 per Share on 5 March 2007, respectively.

- (b) The table below shows the closing prices of the Shares as quoted on the Stock Exchange on the last trading day of each of the six calendar months immediately preceding 29 August 2007 (being the date of the Announcement) and the calendar month after 29 August 2007 up to the Latest Practicable Date:

Date	Closing price per Share HK\$
28 February 2007	0.55
30 March 2007	0.61
30 April 2007	0.70
31 May 2007	0.80
30 June 2007	0.76
31 July 2007	1.96
27 August 2007	1.15
31 August 2007	1.30
The Latest Practicable Date	1.00

- (c) The closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day was HK\$1.15 per Share.
- (d) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date was HK\$1.00 per Share.

8. MATERIAL CONTRACTS

Save as disclosed below, the Group had not entered into any contract (not being contracts entered into in the ordinary course of business of the Group) after the date two years preceding the commencement of the offer period up to and including the Latest Practicable Date which may be material:

- (a) the sale and purchase agreement dated 11 May 2007 entered into between Trump Star Limited (“Trump Star”), an independent third party, and Invigo Overseas Limited (“Invigo”), a wholly-owned subsidiary of the Company in relation to the disposal of two ordinary shares of HK\$1 each in the issued share capital of Gentech (Asia) Limited (a wholly-owned subsidiary of Invigo), which represent its entire issued share capital as at the date of the aforesaid agreement and the assignment of all loans owing by Gentech to Invigo as at the date of the aforesaid agreement to Trump Star by Invigo at a consideration of approximately HK\$8.88 million. The transaction was completed on 23 May 2007. Details of the transaction were included in the circular of the Company dated 30 May 2007; and
- (b) the Share Purchase Agreement.

9. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

10. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies in force (i) which (including continuous and fixed terms contracts) have been entered into or amended within six months before 29 August 2007, being the date of the Announcement; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed terms contracts with more than 12 months to run irrespective of the notice period.

11. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinion or advice which are contained in this Composite Document:

Name	Qualification
ECL	a licensed corporation under the SFO, licensed to carry out type 6 regulated activities (advising on corporate finance)
ESL	a licensed corporation under the SFO, licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
CSC Asia	a licensed corporation under the SFO, licensed to carry out type 6 (advising on corporate finance) regulated activity

Each of ECL, ESL and CSC Asia has given and has not withdrawn their written consent to the issue of this Composite Document with the inclusion in it of their reports or letters, as the case may be, and reference to their name in the form and context in which they respectively appear.

12. GENERAL

- (a) the registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Its correspondence address in Hong Kong is at 28/F., Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong;
- (b) the sole director and shareholder of the Offeror is Dr. Yeung and the correspondence address of Dr. Yeung is at 28/F., Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong;

- (c) the registered office of South China Capital Limited is at 28/F., Bank of China Tower, No. 1 Garden Road, Central, Hong Kong;
- (d) the registered office of ESL is at 23-24/F., Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong;
- (e) the registered office of ECL is 28/F., Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong;
- (f) the registered office of CSC Asia is at Units 3204-07, 32/F., Cosco Tower, 183 Queen's Road Central, Hong Kong; and
- (g) this Composite Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Suite 1114, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong during normal business hours and will be displayed on the website of the SFC at www.sfc.hk and on the website of the Company at www.irasia.com/listco/hk/graneagle up to and including the closing date of the Offer:–

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the memorandum and articles of association of the Offeror;
- (iii) the annual reports of the Company for the two years ended 31 March 2006 and 2007;
- (iv) the letter from ESL, the text of which is set out on pages 11 to 19 of this Composite Document;
- (v) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 20 of this Composite Document;
- (vi) the letter of advice from CSC Asia, the text of which is set out on pages 21 to 43 of this Composite Document;
- (vii) the contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (viii) the written consents referred to in section headed “Experts and consents” of this appendix; and
- (ix) a copy of the Composite Document.