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If you are in 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, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Crocodile Garments Limited, you should at once hand this document together with the accompanying forms of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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RICH PROMISE LIMITED
*(Incorporated in the British Virgin Islands
with limited liability)*

CROCODILE

Crocodile Garments Limited
*(Incorporated in Hong Kong with limited liability)
(Stock Code: 122)*

REVISED CANCELLATION CONSIDERATION OF HK\$0.42 PER SCHEME SHARE PROPOSED PRIVATISATION OF CROCODILE GARMENTS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 166 OF THE COMPANIES ORDINANCE AND PROPOSED WITHDRAWAL OF LISTING OF CROCODILE GARMENTS LIMITED

Financial adviser to Rich Promise Limited

Access

Capital

Independent Financial Adviser to
the Independent Board Committee of Crocodile Garments Limited



PLATINUM
Securities

A letter from the Board is set out on pages 6 to 18 of this document. An Explanatory Statement regarding the Scheme is set out on pages 38 to 40 of this document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders and the Independent Optionholder in relation to the Improved Proposal is set out on pages 19 to 20 of this document. A letter from the Independent Financial Adviser is set out on pages 21 to 37 of this document.

The actions to be taken by the Shareholders and the Independent Optionholder are set out in Appendix III on pages 62 to 66 of this document.

Notices convening the adjourned Court Meeting and the adjourned EGM both to be held on Tuesday, 26 May 2009 are set out on pages 70 to 76 of this document. Whether or not you are able to attend the adjourned Court Meeting and/or the adjourned EGM (or any further adjournment thereof) in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the adjourned Court Meeting and the enclosed white form of proxy in respect of the adjourned EGM, in accordance with the instructions printed thereon and deposit them with the registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding of the adjourned Court Meeting or the adjourned EGM (or any further adjournment thereof) at which the person named in such instrument proposes to vote. In the case of the pink form of proxy in respect of the adjourned Court Meeting, it may be handed to the Chairman of the Court Meeting at the adjourned Court Meeting if it is not so lodged. Completion and delivery of the forms of proxy will not preclude you from attending and voting at the adjourned Court Meeting or the adjourned EGM if you so wish, but in the event of you attending and voting at the adjourned Court Meeting or the adjourned EGM, the relevant form of proxy will be deemed to have been revoked. If you complete and deliver the forms of proxy, but do not attend and vote in person at the adjourned Court Meeting or the adjourned EGM, a vote given in accordance with the terms of an instrument of proxy or power of attorney shall be valid notwithstanding the revocation of the proxy or the power of attorney or other authority under which the proxy was executed provided no intimation in writing of such revocation shall have been received (i) in the case of the adjourned Court Meeting, by the company secretary of the Company or the Chairman of the Court Meeting on the day and at the place, but before commencement, of the adjourned Court Meeting (or any further adjournment thereof) at which the proxy is used; and (ii) in the case of the adjourned EGM, by the registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at least 2 hours before the commencement of the adjourned EGM (or any further adjournment thereof) at which the proxy is used.

Forms of proxy distributed with the Scheme Document which have already been completed and returned by Shareholders will remain valid for the adjourned Court Meeting and the adjourned EGM respectively, unless Shareholders complete and return a new form of proxy for the relevant meeting (new forms of proxy are enclosed with this document) or unless Shareholders attend in person and vote at the adjourned meetings or unless written intimation of revocation of the proxy or power of attorney or other authority under which the proxy was executed has been received in accordance with the above paragraph or unless a person who has previously completed and returned a form of proxy has subsequently disposed of the Shares to which the form of proxy relates. Accordingly, any Shareholders who have previously submitted forms of proxy who wish to change their voting instructions for the relevant meeting, or to revoke or revise any proxy appointment, must complete and return a new form of proxy for the relevant meeting (a pink form of proxy for the adjourned Court Meeting or a white form of proxy for the adjourned EGM, as the case may be). Shareholders who wish their existing form(s) of proxy to remain in place do not need to take any action.

If you are a Beneficial Owner whose Shares are held by a Registered Owner (such as a nominee, depositary, trustee or authorised custodian), you should contact the Registered Owner and check whether any voting instruction submitted before the date of this document remains valid or is void. You should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which your Shares should be voted at the adjourned Court Meeting and/or adjourned EGM. Such instructions and/or arrangements should be given or made in advance of the latest time for lodgement of forms of proxy in respect of the adjourned Court Meeting and the adjourned EGM or otherwise in accordance with the instructions of the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its form of proxy and to submit it by the relevant deadline stated in Appendix III ("Action to be Taken") on pages 62 to 66 of this document, or otherwise to vote at the adjourned meetings. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the latest time for the lodgement of forms of proxy in respect of the adjourned Court Meeting and the adjourned EGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should (unless you are a person admitted to participate in CCASS as an Investor Participant) contact your broker, custodian, nominee or other relevant person who is a CCASS Participant or who has deposited your Shares with a CCASS Participant (your "Intermediary") and check whether any voting instruction submitted before the date of this document remains valid or is void. You should contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the manner in which your Shares should be voted at the adjourned Court Meeting and/or the adjourned EGM. Such instructions and/or arrangements should be given or made in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for voting in respect of the Scheme by CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS", the "CCASS Operational Procedures" and any other requirements of CCASS.

The procedure for voting at the adjourned Court Meeting and the adjourned EGM by Beneficial Owners who have been admitted to participate in CCASS as Investor Participants shall be in accordance with the "General Rules of CCASS", the "CCASS Operational Procedures" and any other requirements of CCASS. Beneficial Owners who have been admitted to participate in CCASS as Investor Participants should contact CCASS to check whether any voting instruction submitted before the date of this document remains valid or is void and to provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial Owner's Shares should be voted at the adjourned Court Meeting and/or the adjourned EGM.

This document is issued jointly by the Offeror and the Company.

In the event of any inconsistency, the English language text of this document shall prevail over the Chinese language text.

30 April 2009

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DEFINITIONS

Unless the context otherwise requires or unless the relevant terms are defined below, definitions used in the Scheme Document also apply in this document, together with the following definitions:

“Beneficial Owner”	means any beneficial owner of Shares whose Shares are registered in the name of a Registered Owner
“CCASS Participant”	means a person admitted by HKSCC as a participant of CCASS
“Improved Proposal”	means the proposal for the privatisation of the Company by the Offeror by way of the Scheme described in the Scheme Document as amended by the increase of the Cancellation Consideration, as described in this document
“Intermediary”	has the meaning given on the cover page of this document
“Investor Participant”	means a person admitted to participate in CCASS as an investor participant
“Latest Practicable Date”	means 27 April 2009, being the latest practicable date prior to the despatch of this document for ascertaining certain information contained in it
“Pre-Adjustment Date”	means 30 March 2009, being the last day of trading in the Shares on the Stock Exchange prior to the issue of the announcement of the Offeror’s proposal to increase the Cancellation Consideration to the Revised Cancellation Consideration
“Register”	means the register of members of the Company
“Registered Owner”	means any registered owner of Shares (including without limitation a nominee, trustee, depository or any other authorised custodian or third party)
“Revised Cancellation Consideration”	means the consideration of HK\$0.42 per Scheme Share payable in cash to the Independent Shareholders pursuant to the Improved Proposal
“Scheme Document”	means the scheme document dated 27 March 2009 issued jointly by the Company and the Offeror to the Shareholders and the Optionholders in relation to the Scheme and the Option Offer
“Scheme Document Latest Practicable Date”	means 24 March 2009, being the latest practicable date prior to the despatch of the Scheme Document for ascertaining certain information contained in it

Unless the context otherwise requires, references in the Scheme Document to the “Proposal” shall with effect from the date of this document be construed as references to the Improved Proposal.

REVISED EXPECTED TIMETABLE

The following timetable takes into account the High Court procedures for the Scheme. The expected timetable set out below is indicative only and subject to change. Further announcement(s) will be made in the event that there is any such change.

2009

Latest time for lodging transfers of the Shares to
qualify for attending and voting at the adjourned Court
Meeting and the adjourned EGM 4:30 p.m. on Wednesday, 20 May

Closure of the register of members of the Company
for determination of entitlements of the Independent
Shareholders to attend and vote at the adjourned Court
Meeting and of the Shareholders to attend and
vote at the adjourned EGM (*Note 1*) Thursday, 21 May to Tuesday, 26 May
(both dates inclusive)

Latest time for lodging forms of proxy in respect of:

the adjourned Court Meeting (*Note 2*) 10:00 a.m. on Sunday, 24 May

the adjourned EGM (*Note 2*) 10:30 a.m. on Sunday, 24 May

Suspension of trading in the Shares 9:30 a.m. on Tuesday, 26 May

Adjourned Court Meeting (*Note 3*) 10:00 a.m. on Tuesday, 26 May

Adjourned EGM (*Note 3*) 10:30 a.m. on Tuesday, 26 May
(or as soon thereafter as the adjourned Court Meeting
shall have been concluded or adjourned)

Announcement of the results of the adjourned
Court Meeting and the adjourned EGM not later than 7:00 p.m. on
Tuesday, 26 May

Resumption of trading in the Shares 9:30 a.m. on Wednesday, 27 May

High Court hearing of the summons for directions
in respect of the capital reduction Tuesday, 9 June

Latest time for dealing in the Shares 4:00 p.m. on Monday, 15 June

Latest time for lodging transfers of the Shares to
qualify for entitlements of the Independent
Shareholders under the Scheme 4:30 p.m. Thursday, 18 June

REVISED EXPECTED TIMETABLE

2009

Closure of the register of members of the Company for determination of entitlements of the Independent Shareholders under the Scheme (<i>Note 4</i>)	Friday, 19 June to Tuesday, 23 June (both dates inclusive)
High Court hearing of the petition to sanction the Scheme	Tuesday, 23 June
Record Time	4:30 p.m. on Tuesday, 23 June
Announcement of the results of the High Court hearing of the petition to sanction the Scheme	not later than 11:00 p.m. on Tuesday, 23 June
Effective Date (<i>Note 5</i>)	Wednesday, 24 June
Withdrawal of the listing of the Shares on the Stock Exchange	after close of business on Wednesday, 24 June
Cheques for the payment of the Revised Cancellation Consideration and monies under the Option Offer to be despatched	on or before Friday, 3 July

Shareholders and the Independent Optionholder should note that the above timetable, which is dependent on all Conditions being fulfilled and/or otherwise waived (as the case may be) and the availability of the dates of the High Court to hear the proceedings for the sanctioning of the Scheme, is subject to change. Further announcement(s) will be made in the event that there is any such change.

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Independent Shareholders to attend and vote at the adjourned Court Meeting and the Shareholders to attend and vote at the adjourned EGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
2. Forms of proxy should be deposited at the registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and by the times and dates stated above. Completion and delivery of the forms of proxy will not preclude you from attending and voting at the adjourned Court Meeting or the adjourned EGM if you so wish, but in the event of you attending and voting at the adjourned Court Meeting or the adjourned EGM, the relevant form of proxy will be deemed to have been revoked. If you complete and deliver the forms of proxy, but do not attend and vote in person at the adjourned Court Meeting or the adjourned EGM, a vote given in accordance with the terms of the form of proxy or power of attorney shall be valid notwithstanding the

REVISED EXPECTED TIMETABLE

revocation of the proxy or the power of attorney or other authority under which the proxy was executed provided no intimation in writing of such revocation shall have been received (i) in the case of the adjourned Court Meeting, by the company secretary of the Company or the Chairman of the adjourned Court Meeting on the day and at the place, but before commencement, of the adjourned Court Meeting (or any further adjournment thereof) at which the proxy is used; and (ii) in the case of the adjourned EGM, by the registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at least 2 hours before the commencement of the adjourned EGM (or any further adjournment thereof) at which the proxy is used.

FORMS OF PROXY DISTRIBUTED WITH THE SCHEME DOCUMENT WHICH HAVE ALREADY BEEN COMPLETED AND RETURNED BY SHAREHOLDERS WILL REMAIN VALID FOR THE ADJOURNED COURT MEETING AND THE ADJOURNED EGM RESPECTIVELY, UNLESS SHAREHOLDERS COMPLETE AND RETURN A NEW FORM OF PROXY FOR THE RELEVANT MEETING (NEW FORMS OF PROXY ARE ENCLOSED WITH THIS DOCUMENT) OR UNLESS SHAREHOLDERS ATTEND IN PERSON AND VOTE AT THE ADJOURNED MEETINGS OR UNLESS WRITTEN INTIMATION OF REVOCATION OF THE PROXY OR POWER OF ATTORNEY OR OTHER AUTHORITY UNDER WHICH THE PROXY WAS EXECUTED HAS BEEN RECEIVED IN ACCORDANCE WITH THE ABOVE PARAGRAPH OR UNLESS A PERSON WHO HAS PREVIOUSLY COMPLETED AND RETURNED A FORM OF PROXY HAS SUBSEQUENTLY DISPOSED OF THE SHARES TO WHICH THE FORM OF PROXY RELATES. ACCORDINGLY, ANY SHAREHOLDERS WHO HAVE PREVIOUSLY SUBMITTED FORMS OF PROXY WHO WISH TO CHANGE THEIR VOTING INSTRUCTIONS FOR THE RELEVANT MEETING, OR TO REVOKE OR REVISE ANY PROXY APPOINTMENT, MUST COMPLETE AND RETURN A NEW FORM OF PROXY FOR THE RELEVANT MEETING (A PINK FORM OF PROXY FOR THE ADJOURNED COURT MEETING OR A WHITE FORM OF PROXY FOR THE ADJOURNED EGM, AS THE CASE MAY BE). SHAREHOLDERS WHO WISH THEIR EXISTING FORM(S) OF PROXY TO REMAIN IN PLACE DO NOT NEED TO TAKE ANY ACTION.

If you are a Beneficial Owner whose Shares are held by a Registered Owner (such as a nominee, depository, trustee or authorised custodian), you should contact the Registered Owner and check whether any voting instruction submitted before the date of this document remains valid or is void. You should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which your Shares should be voted at the adjourned Court Meeting and/or adjourned EGM. Such instructions and/or arrangements should be given or made in advance of the latest time for lodgement of forms of proxy in respect of the adjourned Court Meeting and the adjourned EGM or otherwise in accordance with the instructions of the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its form of proxy and to submit it by the relevant deadline stated in Appendix III ("Action to be Taken") on pages 62 to 66 of this document, or otherwise to vote at the adjourned meetings. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the latest time for the lodgement of forms of proxy in respect of the adjourned Court Meeting and the adjourned EGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should (unless you are a person admitted to participate in CCASS as an Investor Participant) contact your Intermediary and check whether any voting instruction submitted before the date of this document remains valid or is void. You should contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the manner in which your Shares should be voted at the adjourned Court Meeting and/or the adjourned EGM. Such instructions and/or arrangements should be given or made in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for voting in respect of the Scheme by CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS", the "CCASS Operational Procedures" and any other requirements of CCASS.

REVISED EXPECTED TIMETABLE

The procedure for voting at the adjourned Court Meeting and the adjourned EGM by Beneficial Owners who have been admitted to participate in CCASS as Investor Participants shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS. Beneficial Owners who have been admitted to participate in CCASS as Investor Participants should contact CCASS to check whether any voting instruction submitted before the date of this document remains valid or is void and to provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial Owner’s Shares should be voted at the adjourned Court Meeting and/or the adjourned EGM.

3. Both the adjourned Court Meeting and the adjourned EGM will be held at Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Kowloon, Hong Kong at the time and dates specified above.
4. The Independent Optionholder has lodged his Option Offer Form with the Company and accepted the Option Offer in respect of the 2,250,000 Options held by him.
5. The Scheme will become effective upon all the Conditions being fulfilled and/or otherwise waived (as the case may be).

LETTER FROM THE BOARD



Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

Executive Directors:

Lam Kin Ming

(Chairman and Chief Executive Officer)

Lam Wai Shan, Vanessa

(Deputy Chief Executive Officer)

Lam Kin Ngok, Peter

Lam Kin Hong, Matthew

Cheng Suet Fei, Sophia

Registered office:

11th Floor, Lai Sun Commercial Centre,

680 Cheung Sha Wan Road,

Kowloon,

Hong Kong

Non-executive Directors:

Lam Suk Ying, Diana

Tong Ka Wing, Carl

Independent Non-executive Directors:

Wan Yee Hwa, Edward

Yeung Sui Sang

Chow Bing Chiu

30 April 2009

To the Shareholders and Optionholders

Dear Sir or Madam,

**REVISED CANCELLATION CONSIDERATION OF HK\$0.42 PER SCHEME SHARE
PROPOSED PRIVATISATION OF CROCODILE GARMENTS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
CROCODILE GARMENTS LIMITED**

EVENTS TO DATE

The Proposal

On 17 February 2009, the Offeror and the Company jointly announced that on 13 February 2009, the Offeror had requested the Board to put forward the Proposal to the Independent Shareholders regarding a proposed privatisation of the Company by way of the Scheme.

LETTER FROM THE BOARD

The Scheme Document

The Scheme Document in relation to the Scheme was despatched to Shareholders on 27 March 2009 and includes, among other things:

- (a) a letter from the Board;
- (b) an explanatory statement under Section 166A of the Companies Ordinance explaining the terms and effect of the Scheme and the Option Offer and providing Independent Shareholders and the Independent Optionholder with other relevant information in relation to the Scheme and the Option Offer;
- (c) a letter of advice from Platinum, the independent financial adviser appointed to advise the Independent Board Committee with respect to the Proposal;
- (d) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in respect of the Scheme and its recommendation to the Independent Optionholder in respect of the Option Offer; and
- (e) notices convening the Court Meeting, originally convened to be held at 10:00 a.m. on 23 April 2009 and the EGM, originally convened to be held at 10:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) on the same date, in Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Kowloon, Hong Kong.

If the Improved Proposal is withdrawn or lapses, neither the Offeror nor parties acting in concert with it may within 12 months from the date on which the Improved Proposal is withdrawn or lapses announce another offer or possible offer without the consent of the Executive under Rule 31.1 of the Takeovers Code. As stated in the Scheme Document, the Offeror and Mr. Lam have indicated that if the Scheme is withdrawn, not approved or lapses, the Offeror, Mr. Lam and parties acting in concert with any of them will not make another proposal to privatise the Company or any offer for the securities of the Company under the Takeovers Code until after 31 December 2018, but even after such date, they are not obliged to make such proposal. This statement is intended by the Offeror and Mr. Lam to be binding.

The Improved Proposal

On 1 April 2009, the Offeror and the Company jointly announced that the Offeror proposed to increase the consideration payable by the Offeror under the Scheme for the cancellation and extinguishment of the Scheme Shares, from HK\$0.40 to an amount of HK\$0.42 in cash for each Scheme Share cancelled under the Scheme. The Offeror has decided to increase the Cancellation Consideration so as to make the Proposal more attractive to Independent Shareholders and has requested the Company to put forward the Improved Proposal to the Independent Shareholders.

LETTER FROM THE BOARD

Adjournment of the Court Meeting and the EGM

The joint announcement of the Offeror and the Company dated 1 April 2009 explained that in order for the Improved Proposal to be put forward to the Independent Shareholders in accordance with the Takeovers Code and in order to comply with the Order of the High Court directing that the Court Meeting be convened, it was necessary to adjourn the Court Meeting and the EGM originally convened to be held on 23 April 2009 to a date which is not less than 21 clear days after the date of posting and deemed delivery of this document.

By Order of the High Court dated 21 April 2009, the Chairman of the Court Meeting was directed to adjourn the Court Meeting originally convened to be held on 23 April 2009 to a date not less than 21 days after the despatch of this document. The Court Meeting was duly adjourned by the Chairman in such terms. At the EGM held on 23 April 2009, the Chairman of the EGM had, in accordance with Article 73 of the Articles of Association of the Company and with the consent of that general meeting at which a quorum was present, adjourned that meeting to be reconvened at 10:30 a.m. on the same date as the adjourned Court Meeting convened pursuant to the Orders of the High Court dated 24 March 2009 and 21 April 2009 or so soon thereafter as the adjourned Court Meeting shall have been concluded or adjourned.

On 30 April 2009, the Offeror and the Company jointly announced that the Court Meeting would be adjourned to 10:00 a.m. on Tuesday, 26 May 2009 and that the EGM would be adjourned to 10:30 a.m. (or as soon thereafter as the adjourned Court Meeting shall have been concluded or adjourned) on the same date.

No increase statement

The Offeror also stated in the joint announcement of the Offeror and the Company dated 1 April 2009 that it would not further increase the Revised Cancellation Consideration and that Shareholders and potential investors should be aware that, as a result of Rule 18.3 of the Takeovers Code, following the making of that statement the Offeror will not be allowed to increase the Revised Cancellation Consideration.

THE IMPROVED PROPOSAL

Revised Cancellation Consideration

Under the terms of the Improved Proposal, Scheme Shares will be cancelled in exchange for the payment to each Independent Shareholder of:

for each Scheme Share HK\$0.42 in cash

Revised expected timetable

The revised expected timetable for the implementation of the Improved Proposal is set out on pages 2 to 5 of this document.

LETTER FROM THE BOARD

No other changes

Except as stated above in relation to the Revised Cancellation Consideration, the consequential changes in relation to the revised expected timetable and consequential amendments to the Conditions as described under the section headed “Update in relation to the Conditions” of this letter, all other terms of the Proposal as set out in the Scheme Document remain unchanged and constitute the terms of the Improved Proposal.

Option Offer

As the exercise price of all the Options is still above the Revised Cancellation Consideration, the Option Payment to be offered by the Offeror for the cancellation of those Options held by the Independent Optionholder will continue to be the nominal amount of HK\$0.01 for each 10,000 Option Shares underlying the Options in respect of which the Option Offer is accepted, as stated in the Scheme Document.

The Independent Optionholder has lodged his Option Offer Form with the Company and accepted the Option Offer in respect of the 2,250,000 Options held by him.

COMPARISONS OF VALUE

The Revised Cancellation Consideration represents:

- a premium of approximately 9.1% over the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Pre-Adjustment Date;
- a premium of approximately 8.2% over the average closing price of HK\$0.388 per Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days ended on the Pre-Adjustment Date;
- a premium of approximately 8.8% over the average closing price of HK\$0.386 per Share based on the daily closing prices as quoted on the Stock Exchange for the one-month period ended on the Pre-Adjustment Date;
- a premium of approximately 38.2% over the average closing price of HK\$0.304 per Share based on the daily closing prices as quoted on the Stock Exchange for the three-month period ended on the Pre-Adjustment Date;
- a premium of approximately 68.7% over the average closing price of HK\$0.249 per Share based on the daily closing prices as quoted on the Stock Exchange for the six-month period ended on the Pre-Adjustment Date;
- a premium of approximately 101.9% over the closing price of HK\$0.208 per Share as quoted on the Stock Exchange on the Last Trading Date;

LETTER FROM THE BOARD

- a premium of approximately 104.9% over the average closing price of HK\$0.205 per Share based on the daily closing prices as quoted on the Stock Exchange for the one-month period ended on the Last Trading Date;
- a premium of approximately 104.9% over the average closing price of HK\$0.205 per Share based on the daily closing prices as quoted on the Stock Exchange for the three-month period ended on the Last Trading Date;
- a premium of approximately 92.7% over the average closing price of HK\$0.218 per Share based on the daily closing prices as quoted on the Stock Exchange for the six-month period ended on the Last Trading Date;
- a premium of approximately 2.4% over the closing price of the Shares of HK\$0.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 57.3% to the audited consolidated net asset value per Share of approximately HK\$0.983 as at 31 July 2008, which has taken into account the carrying value of the property of the Group situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon (the “KT Property”) of approximately HK\$349.6 million.

Information on investment properties of the Group

According to the unaudited interim report of the Company for the six months ended 31 January 2009, the Group had investment properties at carrying value of approximately HK\$349.6 million i.e. the KT Property. On 28 February 2006, a development agreement was entered into between the Company, Lai Sun Garment (International) Limited (“LSG”) and Unipress Investment Limited, an indirect wholly-owned subsidiary of LSG for the joint development of the KT Property. Details of the development agreement were set out in the Company’s circular dated 29 April 2006.

The KT Property, planned to complete by the end of 2009, had a proportionate share of market value of HK\$511 million at its existing state and HK\$619 million assuming the development was fully completed and available for immediate occupation with vacant possession as at 28 February 2009 according to the “Property Valuation” set out in Appendix II to the Scheme Document. On completion of the development, the Group will own the office space and certain car parks of the KT Property. The Company is of the view that the portion of the KT Property owned by the Group is expected to generate rental income to hedge a portion of the heavy rental expenses of the Group. The Company is considering retaining some portion of the KT Property for the Group’s self-use purposes.

Under Rule 4.29 of the Listing Rules, the pro forma net asset value per Share based on the fair value of the KT Property must be reported on by the auditor or reporting accountants of the Company. The Company’s auditors, Shu Lun Pan Horwath Hong Kong CPA Limited (the “Auditors”), are of the view that the fair value of the KT Property to be arrived at its existing stage could not be reliably determined due to variance of the quality of the KT Property when it is completed, including its standard of fittings and finishes, functionality and the facilities installed within the KT Property and the date of its completion. The inclusion of the pro forma net asset value per Share based on the fair

LETTER FROM THE BOARD

value of the KT Property in this document would not be consistent with the Group's accounting policy. For this reason, the Auditors are unable to form an opinion on the pro forma net asset value per Share. As such, the pro forma net asset value per Share based on the fair value of the KT Property has not been included in this document. However, Shareholders' attention is drawn to the paragraph headed "Impact of the KT Property on the NAV of the Group" as set out in the letter from Platinum in this document.

Number of Shares in issue and Options

As at the Latest Practicable Date, there were 617,127,130 Shares in issue and the Independent Shareholders were interested in 298,915,130 Shares (representing approximately 48.44% of the issued share capital of the Company as at the Latest Practicable Date).

At the Revised Cancellation Consideration, the Improved Proposal values the entire issued share capital of the Company, as at the Latest Practicable Date, at approximately HK\$259,193,000.

As at the Latest Practicable Date, there were a total of 14,837,000 Options comprising of 12,587,000 Options with an exercise price of HK\$0.68 per Share and 2,250,000 Options with an exercise price of HK\$0.72 per Share. The Options consist of 12,587,000 Options granted to the Relevant Optionholders and 2,250,000 Options granted to the Independent Optionholder.

Total consideration

Assuming none of the Options are exercised before the Effective Date and that there are no other changes to the shareholding structure of the Company, the maximum amount of cash consideration required to effect the Improved Proposal will be approximately HK\$125,544,000. Assuming all the Options (other than those granted to the Relevant Optionholders) are exercised before the Effective Date and that there are no other changes to the shareholding structure of the Company, the maximum amount of cash consideration required to effect the Improved Proposal will be approximately HK\$126,489,000. The Offeror will finance the cash consideration payable under the Scheme and the Option Offer from bank borrowings.

On the basis of the Revised Cancellation Consideration, the table below illustrates the change in capital value for the Independent Shareholders, assuming that the Scheme is implemented:

	On the Last Trading Date HK\$	On the Pre-Adjustment Date HK\$	On the Latest Practicable Date HK\$
Consideration receivable (per 1,000 Shares) under the Scheme	420	420	420
Value of 1,000 Shares (<i>Note</i>)	<u>208</u>	<u>385</u>	<u>410</u>
This represents an increase of approximately	<u>101.9%</u>	<u>9.1%</u>	<u>2.4%</u>

Note: Based on the closing price of the Shares as quoted on the Stock Exchange on the respective dates.

LETTER FROM THE BOARD

Confirmation of financial resources

Access Capital, the Offeror's financial adviser, is satisfied that sufficient financial resources are available to the Offeror to implement the Improved Proposal in accordance with its terms.

BENEFITS OF THE IMPROVED PROPOSAL TO THE COMPANY

The main reasons for and benefits of the Improved Proposal are already set out in the section headed "Reasons for and benefits of the Proposal" in the Explanatory Statement of the Scheme Document. Apart from those reasons and benefits, the Directors are of the view that the ability of the Company to take advantage of its listing status on the Main Board of the Stock Exchange to raise funds from the equity markets has been limited as the Company has not undertaken any equity fund raising exercises for over 15 years. Given the current market conditions and that significant improvement in this regard is not expected in the foreseeable future, it is not justifiable for the Company to maintain its listing status taking into account the costs and management resources associated with maintaining such status. In the circumstances, the Directors consider that the Improved Proposal will also save such costs and management resources for the Company.

ADVICE OF PLATINUM

A letter from Platinum is set out on pages 21 to 37 of this document, containing Platinum's advice and recommendations in relation to the Improved Proposal and the Option Offer. That letter supplements Platinum's advice and recommendations to the Independent Board Committee in relation to the Proposal and the Option Offer as set out in the letter from Platinum contained in the Scheme Document, and should be read in conjunction with the letter from Platinum contained in the Scheme Document. Independent Shareholders and the Independent Optionholder are advised to carefully consider the contents of the advice contained in Platinum's letter, set out on pages 21 to 37 of this document, in relation to the Improved Proposal and the Option Offer.

RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE

A letter from the Independent Board Committee is set out on pages 19 to 20 of this document, containing its recommendations in relation to the Improved Proposal and the Option Offer. Independent Shareholders and the Independent Optionholder are advised to carefully consider the contents of the letter from the Independent Board Committee in relation to the Improved Proposal and the Option Offer.

MODIFICATIONS TO THE SCHEME

The Offeror and the Company have jointly consented, subject to the approval of the High Court, to revise the Cancellation Consideration as stated in the Scheme from the original price of HK\$0.40 in cash for each Scheme Share held to the Revised Cancellation Consideration of HK\$0.42 in cash for each Scheme Share held. In that regard, it is proposed that certain conformatory modifications be made to the Scheme. The formal proposed modifications to the Scheme are set out in Appendix II to this document. Other than this, there have been no other changes to the Scheme, which in all other respects remains as set out in the Scheme Document.

LETTER FROM THE BOARD

WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange under Rule 6.15 of the Listing Rules with effect from the date on which the Scheme becomes effective. Holders of the Scheme Shares will be notified by way of an announcement of the dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is withdrawn, not approved or lapses.

NOTICE OF THE ADJOURNED COURT MEETING AND THE ADJOURNED EGM

The Court Meeting originally convened to be held on 23 April 2009 has been adjourned. The adjourned Court Meeting will reconvene and be held at 10:00 a.m. on 26 May 2009 at Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Kowloon, Hong Kong. Notice of the adjourned Court Meeting is set out on pages 70 to 73 of this document.

Insofar as the sanction of the Scheme by the High Court is concerned, the resolution to approve the Scheme will be passed if it is approved by a majority in number of the Independent Shareholders present and voting either in person or by proxy at the adjourned Court Meeting representing not less than three-fourths in value of those Shares that are voted either in person or by proxy by the Independent Shareholders at the adjourned Court Meeting, provided that the Scheme is not disapproved by the Independent Shareholders at the adjourned Court Meeting holding more than 10% in value of all the Shares held by all of the Independent Shareholders.

As at the Latest Practicable Date, the Independent Shareholders were interested in approximately 298,915,130 Shares (representing approximately 48.44% of the issued share capital of the Company as at the Latest Practicable Date), and the Offeror and Mr. Lam were interested in 318,212,000 Shares (representing approximately 51.56% of the issued share capital of the Company as at the Latest Practicable Date). The Shares owned by the Offeror and Mr. Lam will not form part of the Scheme Shares and, as such, will not be voted at the adjourned Court Meeting. Further, only Independent Shareholders may vote at the adjourned Court Meeting. In view of the interests of the Offeror in the Improved Proposal, any holders of Scheme Shares who are acting in concert with the Offeror are not entitled to and will not vote at the adjourned Court Meeting. Accordingly, any Scheme Shares held by Mr. Lam and any other person acting in concert with the Offeror will not be voted at the adjourned Court Meeting. The Offeror has confirmed that as at the Latest Practicable Date, Mr. Lam is the only party having a beneficial interest in the Shares and deemed to be acting in concert with the Offeror under the Takeovers Code.

LETTER FROM THE BOARD

The EGM originally convened to be held on 23 April 2009 has been adjourned. The adjourned EGM will reconvene at 10:30 a.m. (or as soon thereafter as the adjourned Court Meeting shall have been concluded or adjourned) on Tuesday, 26 May 2009 at Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Kowloon, Hong Kong. Notice of the adjourned EGM is set out on pages 74 to 76 of this document.

The special resolution to be proposed at the adjourned EGM will be passed provided that it is approved by not less than three-fourths in value of the votes cast by the Shareholders present and voting in person or by proxy at the EGM.

Your attention is drawn to Appendix III (“Action to be Taken”) to this document which explains the action which Shareholders and Beneficial Owners should take in respect of the adjourned Court Meeting and the adjourned EGM and the Improved Proposal.

UPDATE IN RELATION TO THE CONDITIONS

The Improved Proposal remains conditional upon the fulfillment or waiver, as applicable, of all the Conditions described in the Scheme Document as set out on pages 42 to 43 of the Scheme Document, in the section headed “Conditions of the Proposal” which forms part of the Explanatory Statement, except for the following changes:

- reference in Conditions (e) and (f) to “the Proposal” will be changed to “the Improved Proposal” so that the modified Conditions (e) and (f) will read as follows:-

“(e) all Authorisations in connection with the Improved Proposal having been obtained or made from, with or by (as the case may be) the relevant authorities in Hong Kong or any other relevant jurisdictions;

(f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any relevant authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Improved Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and”; and

- reference in the definition of “Authorisations” to “the Proposal” will also be changed to the “Improved Proposal” so that the modified definition of “Authorisation” will read as follows:-

“means all the necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Improved Proposal”.

LETTER FROM THE BOARD

All Conditions will have to be fulfilled or waived, as applicable, on or before 31 August 2009 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the High Court may direct), failing which the Improved Proposal will lapse.

The descriptions of the Conditions discussed below are only summaries and reference should be made to the Scheme Document and to the changes described above in this section headed “Update in relation to the Conditions”, for the complete text of the Conditions.

Condition (a) is the approval of the Scheme by the requisite majority of Independent Shareholders at the adjourned Court Meeting, as described in the section above headed “Notice of the Adjourned Court Meeting and the Adjourned EGM”. Condition (b) is the passing of the special resolution at the adjourned EGM by the requisite majority of Shareholders described above in the same section.

Condition (c) is the High Court’s sanction of the Scheme and the confirmation by the High Court of the reduction of the issued share capital of the Company involved in the Scheme, while Condition (d) is compliance with the procedural requirements of sections 166 and 61 of the Companies Ordinance in relation to the Scheme and the reduction of the issued share capital of the Company, respectively. Accordingly, the fulfillment of Conditions (a) to (d) is dependent on the outcome of voting by the Independent Shareholders in respect of the resolution to be proposed at the adjourned Court Meeting and by the Shareholders in respect of the resolution to be proposed at the adjourned EGM.

Condition (e) is that all Authorisations in connection with the Improved Proposal having been obtained or made from, with or by (as the case may be) the relevant authorities in Hong Kong and/or any other relevant jurisdictions.

Condition (f) is all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any relevant authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Improved Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective.

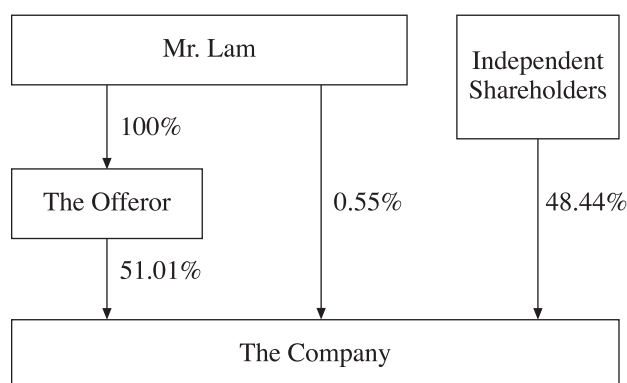
Condition (g) is all necessary consents which may be required under any existing contractual obligations of the Company being obtained. As at the Latest Practicable Date, the Offeror and the Company are not aware of any consents which would be required in order to fulfill Condition (g) which have not already been obtained.

LETTER FROM THE BOARD

EFFECTS OF THE SCHEME

Shareholding structure of the Company

An overview of the shareholding structure of the Company as at the Latest Practicable Date is set out below:



The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Improved Proposal:

Shareholders	As at the Latest Practicable Date		Upon completion of the Proposal (Note 2)	
	Number of Shares	%	Number of Shares	%
The Offeror and Mr. Lam (Note 1)	318,212,000	51.56	617,127,130	100.00
Independent Shareholders	<u>298,915,130</u>	<u>48.44</u>	<u>—</u>	<u>—</u>
Total	<u>617,127,130</u>	<u>100.00</u>	<u>617,127,130</u>	<u>100.00</u>

Notes:

1. Among the 318,212,000 Shares, 314,800,000 Shares are held directly by the Offeror and 3,412,000 Shares are held by Mr. Lam, who is deemed to be a party acting in concert with the Offeror under the Takeovers Code.
2. Under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Forthwith upon such reduction, the share capital of the Company will be increased to its former amount by the issue of the same number of Shares as is equal to the Scheme Shares cancelled and the credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the 298,915,130 New Shares to be issued, credited as fully paid, to the Offeror or as the Offeror may direct.

LETTER FROM THE BOARD

Material interests of Directors and effects of the Scheme on such interests

Details of the interests of the Directors in Shares which are set out on page 121 of the Scheme Document remain accurate as at the Latest Practicable Date. Details of the interests of the Offeror and Mr. Lam in Shares which are set out on page 47 of the Scheme Document also remain accurate as at the Latest Practicable Date. The Shares beneficially owned by the Offeror and Mr. Lam will not form part of the Scheme Shares and, as such, will not be voted at the adjourned Court Meeting.

Details of the Options held by Mr. Lam and Ms. Lam Wai Shan, Vanessa, an executive Director and deputy chief executive officer of the Company, and daughter of Mr. Lam, as disclosed on page 121 of the Scheme Document remain accurate as at the Latest Practicable Date. The Option Offer will not be available to such Options.

REGISTRATION AND PAYMENT

Scheme Shares

If the Scheme becomes effective, payment of the consideration for the Scheme Shares will be made to the Independent Shareholders whose names appear on the Register on the Record Date. On the basis that the Scheme becomes effective on or about Wednesday, 24 June 2009, cheques for payment of the consideration payable under the Scheme are expected to be despatched on or before Friday, 3 July 2009.

The latest time for lodging transfers of Shares to qualify for entitlements under the Scheme is 4:30 p.m. on Thursday, 18 June 2009. The Independent Shareholders should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with the registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before that time.

Options

The Independent Optionholder has lodged his Option Offer Form with the Company and accepted the Option Offer in respect of the 2,250,000 Options held by him. Therefore, if the Scheme becomes effective, payment of the consideration payable under the Option Offer to the Independent Optionholder will be made. On the basis that the Scheme becomes effective on or about Wednesday, 24 June 2009, cheques for the consideration payable under the Option Offer are expected to be despatched on or before Friday, 3 July 2009.

LETTER FROM THE BOARD

STATEMENT OF INDEBTEDNESS

The statement of indebtedness of the Group at the close of business on 31 January 2009, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of the Scheme Document was set out on pages 109 to 110 of the Scheme Document. There are no material changes in respect of the indebtedness and contingent liabilities of the Group since 31 January 2009.

MATERIAL CHANGES IN THE FINANCIAL OR TRADING POSITION OR OUTLOOK OF THE GROUP

There are no material changes in the financial or trading position or outlook of the Group since 31 July 2008 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

MATERIAL CHANGES OF INFORMATION

Except as described in this document, there are no material changes to the information previously published in the Scheme Document.

FURTHER INFORMATION

You should read this document in conjunction with the Scheme Document and not just rely on the information contained in this document.

ACTION TO BE TAKEN

Your attention is drawn to Appendix III (“Action to be Taken”) on pages 62 to 66 of this document which explains the action you should take in respect of the Improved Proposal.

Yours faithfully,
For and on behalf of the Board of
Crocodile Garments Limited
Cheng Suet Fei, Sophia
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

30 April 2009

To the Independent Shareholders and the Independent Optionholder

Dear Sir or Madam,

**REVISED CANCELLATION CONSIDERATION OF HK\$0.42 PER SCHEME SHARE
PROPOSED PRIVATISATION OF CROCODILE GARMENTS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
CROCODILE GARMENTS LIMITED**

We refer to the Scheme Document and to the composite document dated 30 April 2009 jointly issued by the Company and the Offeror in relation to the Improved Proposal (the “**Supplemental Scheme Document**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein have the same meanings as defined in the Scheme Document and the Supplemental Scheme Document.

We refer to our appointment as members of the Independent Board Committee to make a recommendation to the Independent Shareholders in respect of the Improved Proposal, details of which are described in the Supplemental Scheme Document. Platinum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Improved Proposal.

Recommendations

Having considered the letter from Platinum set out on pages 17 to 38 of the Scheme Document and the letter from Platinum set out on pages 21 to 37 of the Supplemental Scheme Document, we are of the view that the terms of the Improved Proposal are fair and reasonable so far as the Independent Shareholders are concerned.

We recommend that the Independent Shareholders vote in favour of the resolution to approve the Scheme at the adjourned Court Meeting to be held on 26 May 2009 and vote in favour of the special resolution to approve and give effect to the Scheme at the adjourned EGM to be held on 26 May 2009.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

In respect of the Option Offer, having noted that no changes are being proposed to the terms of the Option Offer and having considered the advice from Platinum, we continue to consider that the terms of the Option Offer are fair and reasonable so far as the Independent Optionholder is concerned as the Options are considered out-of-the-money based on both the Revised Cancellation Consideration and recent market prices. We continue to recommend that Independent Optionholder accept the Option Offer.

Yours faithfully,
For and on behalf of
Independent Board Committee
Crocodile Garments Limited
Tong Ka Wing, Carl
Non-executive Director

LETTER FROM PLATINUM

The following is the text of the letter of advice from the independent financial adviser to the Independent Board Committee for the purpose of incorporation into this document.



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

30 April 2009

To the Independent Board Committee

Dear Sirs,

**REVISED CANCELLATION CONSIDERATION OF
HK\$0.42 PER SCHEME SHARE
PROPOSED PRIVATISATION OF CROCODILE GARMENTS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
CROCODILE GARMENTS LIMITED**

INTRODUCTION

We refer to the Joint Announcement, the Scheme Document and the joint announcement of the Company and the Offeror dated 1 April 2009 in relation to the Improved Proposal (the “Second Joint Announcement”). On 30 April 2009, the Offeror and the Company jointly despatched the Supplemental Scheme Document to the Independent Shareholders and the Independent Optionholder, of which this letter forms part. This letter should be read in conjunction with the “Letter from Platinum” in the Scheme Document (“Our First Letter”). Details of the Improved Proposal are contained in the letter from the Board and the appendices to the Scheme Document and the letter from the Board and the appendices to the Supplemental Scheme Document, which you should read carefully.

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee as to whether the Improved Proposal is, or is not, fair and reasonable and as to acceptance and voting. Terms used in this letter shall have the same meanings as defined in the Scheme Document and the Supplemental Scheme Document unless the context requires otherwise. Where there is any inconsistency between the meanings as defined in the Scheme Document and the meanings as defined in the Supplemental Scheme Document, the meanings as defined in the Supplemental Scheme Document shall prevail.

We are independent from, and are not connected with the Offeror, the Company or any other party to the Proposal and the Improved Proposal or any of their respective associates, connected

LETTER FROM PLATINUM

persons or parties acting in concert with any of them, save for the fact that as at the Latest Practicable Date, our fellow subsidiaries held in aggregate approximately 0.09% of eSun Holdings Limited (“eSun”), a company listed on the Stock Exchange which Mr. Lam Kin Ngok, Peter, an executive director of eSun and the Company and the brother of Mr. Lam, has certain equity interest; and that one of our directors had in the past been a non-executive director of Media Asia Entertainment Group Limited, a wholly-owned subsidiary of eSun, but that such directorship had ceased in mid 2007. Given the de minimis amount of shareholding and that the directorship had ceased, such relationships do not present any conflict of interest in respect of our role as the independent financial adviser and accordingly, we are considered eligible to give independent advice to the Independent Board Committee.

We will receive a fee from the Company for our role as the independent financial adviser in relation to the Proposal and the Improved Proposal. Apart from these normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Offeror, the Company or any other party to the Proposal and the Improved Proposal or any of their respective associates, connected persons or parties acting in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: (i) the annual report of the Group for the financial year ended 31 July 2006 (the “2006 Annual Report”); (ii) the annual report of the Group for the financial year ended 31 July 2007 (the “2007 Annual Report”); (iii) the annual report of the Group for the financial year ended 31 July 2008 (the “2008 Annual Report”); (iv) the interim report of the Group for the six months ended 31 January 2007 (the “2007 Interim Report”); (v) the interim report of the Group for the six months ended 31 January 2008 (the “2008 Interim Report”); (vi) the interim report of the Group for the six months ended 31 January 2009 (the “2009 Interim Report”); and (vii) the Scheme Document.

We have assumed that all information, facts, opinions and representations contained in the Scheme Document and the Supplemental Scheme Document are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Supplemental Scheme Document and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Supplemental Scheme Document and of the information and representations provided to us by the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Improved Proposal.

The Independent Board Committee, comprising the independent non-executive Directors, namely, Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu and the non-executive Director, Mr. Tong Ka Wing, Carl, has been established to advise the Independent Shareholders and the Independent Optionholder in relation to the Improved Proposal.

LETTER FROM PLATINUM

TERMS OF THE IMPROVED PROPOSAL

The terms of the Improved Proposal are set out in the letter from the Board in the Supplemental Scheme Document. In summary, the Improved Proposal involves the following:

1. Revised Cancellation Consideration

Under the terms of the Improved Proposal, Scheme Shares will be cancelled in exchange for the payment to each Independent Shareholder of:

for each Scheme ShareHK\$0.42 in cash

No other changes

Except as stated above in relation to the Revised Cancellation Consideration, the consequential changes in relation to the revised expected timetable and consequential amendments to the Conditions as described under the section headed “Update in relation to the Conditions” in the letter from the Board in the Supplemental Scheme Document, all other terms of the Proposal as set out in the Scheme Document remain unchanged and constitute the terms of the Improved Proposal.

2. Option Offer

As the exercise price of all the Options is still above the Revised Cancellation Consideration, the Option Payment to be offered by the Offeror for the cancellation of those Options held by the Independent Optionholder will continue to be the nominal amount of HK\$0.01 for each 10,000 Option Shares underlying the Options in respect of which the Option Offer is accepted, as stated in the Scheme Document.

3. Conditions of the Improved Proposal

The Improved Proposal remains conditional upon the fulfilment or waiver, as applicable, of all the Conditions described in the Scheme Document in the section headed “Conditions of the Proposal” which forms part of the Explanatory Statement, except for those as amended in the section headed “Update in relation to the Conditions” in the letter from the Board in the Supplemental Scheme Document. All Conditions will have to be fulfilled or waived, as applicable, on or before 31 August 2009 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the High Court may direct), failing which the Improved Proposal will lapse.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The Independent Board Committee, the Independent Shareholders and the Independent Optionholder are strongly advised to read this letter in conjunction with Our First Letter.

In formulating our opinion in relation to the Improved Proposal and giving our independent financial advice to the Independent Board Committee, we have added additional considerations to the principal factors and reasons as set out in Our First Letter in order to take into account the increase

LETTER FROM PLATINUM

of the Cancellation Consideration from HK\$0.40 to HK\$0.42 for each Scheme Share under the Improved Proposal. As some of the principal factors and reasons as stated in Our First Letter, namely, business of the Group, comparisons with the Company's peers on relative share price performance, price-to-earnings ratio ("PER"), liquidity and dividend payout ratios; market factors; the lack of use of equity capital market by the Company; the opportunity for the Independent Shareholders to realise their investment in the Company; and the low chance of receiving another offer, remain the same, they have not been discussed again in this letter. As such, the Independent Board Committee, the Independent Shareholders and the Independent Optionholder are strongly advised to read this letter in conjunction with Our First Letter. We set out below our additional considerations to the following principal factors and reasons:

1. Operating and financial position of the Group

(i) Financial performance of the Group

Subsequent to the despatch of the Scheme Document and Our First Letter included therein, the Company released the 2009 Interim Report. Set out below is a summary of the audited consolidated income statements of the Group for the three financial years ended 31 July 2008 and the unaudited consolidated income statements of the Group for the six months ended 31 January 2007, 2008 and 2009.

Table 1: Summary of consolidated income statements

	For the financial year ended 31 July			For the six months ended 31 January		
	2008	2007	2006	2009	2008	2007
	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Revenue	450,007	441,155	385,809	245,240	230,739	218,690
Gross profit	274,492	270,714	232,797	146,720	140,581	132,741
Gross profit margin	61%	61%	60%	60%	61%	61%
Fair value gain on investment property	10,000	7,000	146,593	—	10,000	2,000
Gain on disposal of investment property	30,000	—	—	—	—	—
Profit attributable to Shareholders	21,216	21,559	110,019	(5,867)	2,265	2,140
Underlying (loss)/profit^{Note}	(18,784)	14,559	(36,574)	(5,867)	(7,735)	140

Note: Underlying (loss)/profit is calculated as profit attributable to Shareholders excluding fair value gain on investment property and gain on disposal of investment property.

Sources: The 2006 Annual Report, the 2007 Annual Report, the 2008 Annual Report, the 2007 Interim Report, the 2008 Interim Report and the 2009 Interim Report.

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Revenue

Further to our observation in relation to the financial performance of the Group as contained in Our First Letter, we note that the Group recorded an approximately 6% year-on-year growth in revenue for the six months ended 31 January 2009.

Gross profit margin

As noted in Our First Letter, the gross profit margin of the Group remained at a level of approximately 60% to 61% for the three financial years ended 31 July 2008 and the six months ended 31 January 2007 and 2008. We note that the gross profit margin of the Group maintained at this same level for the six months ended 31 January 2009.

Underlying profit and loss

As noted in Our First Letter, the Group made an underlying loss for the financial years ended 31 July 2006 and 2008. As shown in Table 1 above, we note that the Group continued to make an underlying loss for the six months ended 31 January 2009. Following our discussion with the management of the Company, we understand that contribution from the garment and related accessories segment continued to be adversely impacted by the escalating retail rent in both Hong Kong and the PRC for the six months ended 31 January 2009.

(ii) Outlook of the industry and of the Group

Subsequent to Our First Letter, we have revisited the macroeconomic factors in the PRC and Hong Kong as well as the business environment of the Group and we have not noticed any major improvement in the outlook of the industry and of the Group. As such, we maintain our observations and comments as stated in Our First Letter that the outlook of the industry and of the Group remains grim.

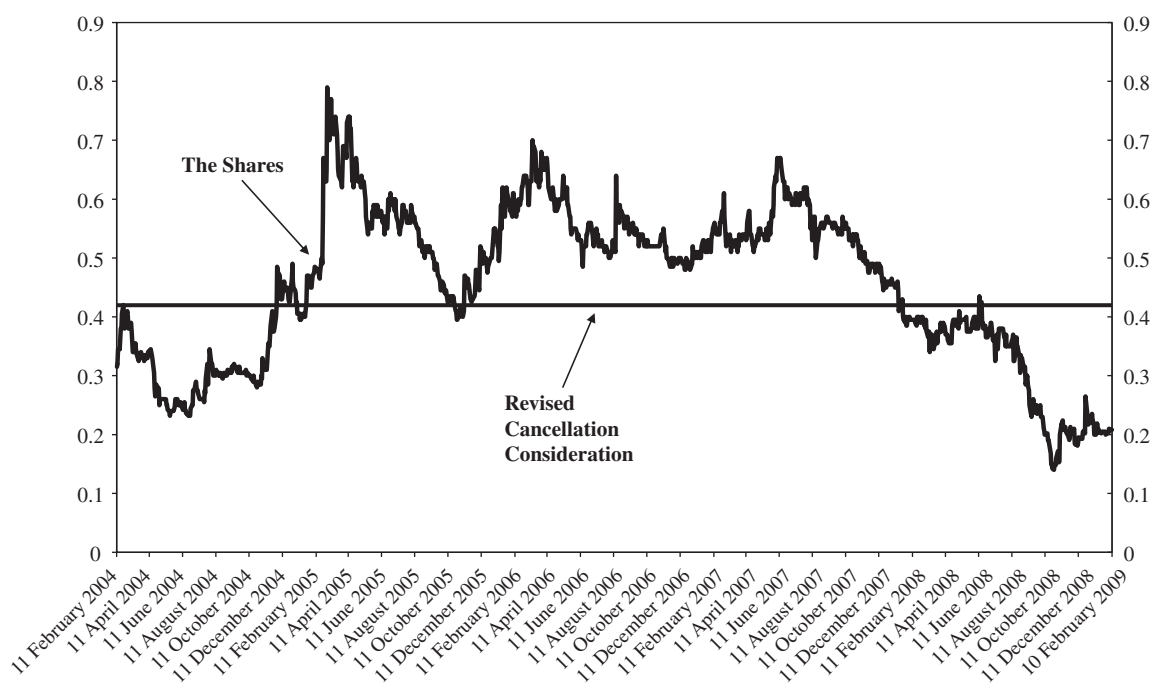
2. Historical price performance of the Shares

To evaluate whether the Improved Proposal is fair and reasonable, we have compared the Revised Cancellation Consideration to the historical price performance of the Shares. Chart 1 below illustrates the historical daily closing prices of the Shares during the 5-year period prior to and including the Last Trading Date. In Our First Letter, we noted that the Share price had increased from HK\$0.208 as at the Last Trading Date to HK\$0.395 as at the Scheme Document Latest Practicable Date. Subsequently, we note that the Share price further increased to HK\$0.410 as at the Latest Practicable Date. Given that such increase might possibly be influenced by the making of the Joint Announcement regarding the Proposal as well as the making of the Second Joint Announcement in relation to the Improved

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Proposal currently under consideration, we are of the view that it would not be appropriate to include the period from the Last Trading Date to the Latest Practicable Date in our analysis of Share price performance.

Chart 1: 5-year historical Share price performance



Source: Bloomberg as at the Latest Practicable Date.

As shown in Chart 1, the highest closing price at which the Shares had been traded at during the period was HK\$0.79 on 3 March 2005; whilst the lowest closing price at which the Shares had been traded at during the period was HK\$0.14 on 27 October 2008. We note that the Revised Cancellation Consideration of HK\$0.42 falls within this trading range and that the Shares had been consistently trading below the Revised Cancellation Consideration since 17 June 2008.

3. Comparable companies analysis

In assessing whether the Improved Proposal is fair and reasonable, we have analysed the Company or the Revised Cancellation Consideration against the same pool of comparable companies as set out in Our First Letter, namely, Bauhaus International (Holdings) Limited (“Bauhaus”), Bossini International Holdings Limited (“Bossini”), ENM Holdings Limited (“ENM”), Joyce Boutique Holdings Limited (“Joyce”), Moisselle International Holdings Limited (“Moisselle”), Theme International Holdings Limited (“Theme”) and Veeko International Holdings Limited (“Veeko”) (the “Comparable Companies”). These Comparable Companies are the same as those used in Our First Letter. One should recognise that due to the unique business strategy and position of each company, it is not practicable to identify a company with the same proportion of revenue contribution from each geographic segment as the Group.

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In selecting the comparable companies, we have taken into consideration that as stated in the 2008 Annual Report, the Company has 2 business segments, namely, the garment and related accessories segment and the property investment segment. However, we are of the view that the Company should not be considered as a property company for the following reasons:

- (i) the KT Property is the sole property that the Company owns in Hong Kong, which is still under redevelopment, and that almost half of the gross floor area of the KT Property would be owned by LSG. Although the Company also owns two properties in the PRC, these are small parcels of land that are vacant and according to the property valuation in connection with the property interests of the Group as at 28 February 2009 prepared by Savills as set out in Appendix II to the Scheme Document (the “Property Valuation”), one of the properties had no commercial value as at 28 February 2009;
- (ii) based on our discussion with the management of the Company and as stated in the circular of the Company dated 29 April 2006 in relation to the redevelopment of the KT Property, the core business of the Company is garment business. This echoes with our observation that although as we have noted in the above section headed “Financial performance of the Group” in this letter that in the three financial years ended 31 July 2008, the garment and related accessories segment had performed unsatisfactorily and the Group’s profit was supported by the revenue or income generated from the property investment segment. In addition, revenue from the garment and related accessories segment accounted for more than 98% of the Group’s total revenue in these financial years;
- (iii) the Company had been disposing of its investment properties in the past few years and the KT Property is the sole property left in Hong Kong after such disposals. Based on our discussion with the management of the Company, such disposals were not in the ordinary and usual course of business of the Company as in the case of sale of properties by a property company; rather, such disposals were made to subsidise the loss or unsatisfactory performance of the garment business; and
- (iv) the impact which the KT Property may have on the net asset value (“NAV”) of the Group upon completion of its redevelopment as discussed in the section headed “Impact of the KT Property on the NAV of the Group” in this letter.

In addition, we also note that there had not been any privatisation transactions of property companies listed on the Stock Exchange from 1 January 2008 to the Latest Practicable Date except for the proposed privatisation of Pacific Century Premium Developments Limited, the details of which are contained in the table headed “Table 5: Comparable Transactions analysis” in this letter.

In our analysis, we have adopted the same commonly used methodologies as in Our First Letter, namely, relative share price performance; PER; enterprise value to earnings before interest, taxation, depreciation and amortisation (“EV/EBITDA”); liquidity; price-to-book ratio (“PBR”); and dividend policy.

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As there has been no change to our analysis on the relative share price performance, PER and liquidity, we maintain our observations and views as set out in Our First Letter pertaining to these analyses and as such, these would not be discussed again in this letter.

(i) **EV/EBITDA**

Our analysis of the EV/EBITDA of the Group as implied by the Improved Proposal against that of the Group without the Improved Proposal and that of the Comparable Companies is set forth in the following table.

Table 2: EV/EBITDA of the Comparable Companies, the Group and the Group as implied by the Improved Proposal

Company	EV/EBITDA based on <i>Notes 1, 2 and 3</i>	
	Latest financial year <i>Times</i>	Preceding financial year <i>Times</i>
Bauhaus	2.7	3.2
Bossini	1.0	1.4
ENM	n.m.	n.m.
Joyce	0.4	0.4
Moiselle	2.0	1.6
Theme	n.m.	n.m.
Veeko	2.2	4.2
Simple average	1.7	2.2
Minimum	0.4	0.4
Maximum	2.7	4.2
The Group as at the Last Trading Date ^{<i>Note 4</i>}	38.6	1.4
The Group under the Improved Proposal ^{<i>Note 5</i>}	131.4	4.7

Notes:

- EV/EBITDA is calculated by dividing the enterprise value (“EV”) by the earnings before interest, taxation, depreciation and amortisation (“EBITDA”).*
- EV is calculated as market capitalisation as at the Latest Practicable Date plus borrowings and overdraft minus cash from the latest financial statements.*

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3. *EBITDA is calculated as net profit plus interest, taxation, depreciation and amortisation for the respective financial years. Gain or loss from disposal of property, plant and equipment and investment property has been excluded.*
4. *In calculating EV/EBITDA of the Group as at the Last Trading Date, market capitalisation as at the Last Trading Date has been used in calculating EV.*
5. *In calculating EV/EBITDA of the Group under the Improved Proposal, the Revised Cancellation Consideration has been used to compute market capitalisation in arriving at the EV.*
6. *Where EV or EBITDA is negative, EV/EBITDA is denoted as not meaningful (“n.m.”).*

Sources: Bloomberg as at the Latest Practicable Date, the respective financial statements of the Comparable Companies, the 2007 Annual Report, the 2008 Annual Report and the 2009 Interim Report.

As presented in Table 2 above, the Revised Cancellation Consideration represents an EV/EBITDA of 131.4 times for the Group based on the Group’s EBITDA in its latest financial year, which is significantly higher than the range of EV/EBITDA exhibited by the Comparable Companies from 0.4 times to 2.7 times as at the Latest Practicable Date. Without the Improved Proposal, the Group also has an EV/EBITDA that is higher than the Comparable Companies based on its latest financial year results. We note that the significantly higher EV/EBITDA in both instances is due to the weaker performance of the Group’s garment business in its latest financial year as mentioned in the above section headed “Financial performance of the Group”. As such, we have also conducted an EV/EBITDA analysis based on the preceding financial year for reference and we found that the EV/EBITDA of the Group without the Improved Proposal is within the range but below the average of the EV/EBITDA of the Comparable Companies; whereas the EV/EBITDA of the Group based on the Revised Cancellation Consideration is higher than the range of the EV/EBITDA of the Comparable Companies. As such, we consider that the valuation to the Group offered by the Improved Proposal assessed on an EV/EBITDA basis is favourable to the Independent Shareholders.

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(ii) PBR

Our analysis on the comparison of the PBR of the Group as implied by the Improved Proposal with that of the Comparable Companies is set forth in the table below.

Table 3: PBR of the Comparable Companies and the Group as implied by the Improved Proposal

Company	PBR as at the Latest Practicable Date^{Note} <i>Times</i>
Bauhaus	0.97
Bossini	0.61
ENM	0.38
Joyce	0.47
Moiselle	0.56
Theme	0.66
Veeko	0.45
Simple average	0.59
Minimum	0.38
Maximum	0.97
The Group under the Improved Proposal	0.44

Note: PBR is calculated by dividing market capitalisation as at the Latest Practicable Date by net asset value after excluding minority interest from the latest financial statement.

Sources: Bloomberg as at the Latest Practicable Date, the respective financial statements of the Comparable Companies and the 2009 Interim Report.

According to Table 3 above, the PBR of the Comparable Companies as at the Latest Practicable Date ranged from 0.38 times to 0.97 times. We note that the PBR of the Group as implied by the Improved Proposal of 0.44 times is below the average, but nevertheless within the range, of the PBR of the Comparable Companies.

(iii) Dividend policy

In order to assess the dividend policy of the Company, we have reviewed and compared the historical annual dividend payout ratios and dividend yields of the Group with that of the Comparable Companies. As there is no change to our analysis on the dividend payout ratios, we would not discuss it again in this letter. Details of our analysis on dividend yields are set out in the following table.

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Table 4: Dividend yields of the Company and the Comparable Companies

Company	Dividend yield ^{Notes 1 and 2}	
	Latest	Preceding
	financial year %	financial year %
Bauhaus	8.2	5.9
Bossini	3.8	n.a.
ENM	n.a.	n.a.
Joyce	10.5	10.5
Moiselle	13.9	21.5
Theme	n.a.	n.a.
Veeko	5.1	9.5
Simple average	8.3	11.9
Minimum	3.8	5.9
Maximum	13.9	21.5
The Group as at the Last Trading Date	14.4	4.8
The Group under the Improved Proposal	7.1	2.4

Notes:

1. *Dividend yield is calculated by dividing annual dividend by market capitalisation as at the Last Trading Date for the Company and by market capitalisation as at the Latest Practicable Date for the Comparable Companies.*
2. *Special and scrip dividends are excluded.*
3. *Where no dividend had been paid, dividend yield is denoted as not applicable ("n.a.").*

Sources: Bloomberg as at the Latest Practicable Date, the respective financial statements of the Comparable Companies, the 2007 Annual Report and the 2008 Annual Report.

As demonstrated in Table 4, we note that the dividend yield of the Group in its latest financial year is above the range of that of the Comparable Companies; whilst that in its preceding financial year is below the range of that of the Comparable Companies. Furthermore, the dividend yields of the Group under the Improved Proposal in its latest financial year and its preceding financial year are lower than the average and below the range of that of the Comparable Companies, respectively.

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4. Comparable transactions analysis

In our assessment of the fairness and reasonableness of the Improved Proposal, we have reviewed a number of comparable transactions (the “Comparable Transactions”). The list of Comparable Transactions is an exhaustive list of transactions selected based on the same criteria as set out in Our First Letter and identified, to our best endeavour, in our research through published information. We note that the same Comparable Transactions have been identified as those set out in Our First Letter. Our analysis of the Comparable Transactions and their comparisons to the Improved Proposal is summarised in the following table.

Table 5: Comparable Transactions analysis

Company	Announcement date	Premium/(discount) of the offer price or cancellation consideration over/(to) the average closing price for			
		Last trading date	One-month period ended on the respective last trading date	Three-month period ended on the respective last trading date	Six-month period ended on the respective last trading date
		%	%	%	%
Pacific Century Premium Developments Limited	13 February 2008	26.11	23.38	16.33	15.38
Mirabell International Holdings Limited	28 February 2008	15.16	15.61	18.34	19.52
PCCW Limited	4 November 2008	55.17	36.36	2.04	(2.81)
Natural Beauty Bio-Technology Limited	25 November 2008	(15.49)	(7.69)	(20.53)	(26.38)
Shaw Brothers (Hong Kong) Limited	22 December 2008	64.21	73.38	53.98	(4.51)
Nam Tai Electronic & Electrical Products Limited	24 February 2009	163.16	134.38	134.38	105.48
Minimum		(15.49)	(7.69)	(20.53)	(26.38)
Maximum		163.16	134.38	134.38	105.48
The Improved Proposal	1 April 2009	101.92	104.51	104.05	85.21

Source: The respective circulars for the Comparable Transactions.

As shown in Table 5 above, the premiums which the Revised Cancellation Consideration represents over the closing Share price on the Last Trading Date, the average closing Share prices for the one-month, three-month and six-month period ended on the Last Trading Date are at the high end of the respective ranges of the Comparable Transactions.

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5. Impact of the KT Property on the NAV of the Group

In view of the expected completion of the redevelopment of the KT Property by the end of 2009, we have re-examined the possible consequential effect it may have on the NAV of the Group. We note that there has not been a new property valuation of the KT Property since Our First Letter. As stated in the Property Valuation, the Company's proportionate share of the market value of the KT Property as at 28 February 2009 was approximately HK\$619 million, which remains unchanged, assuming it was fully completed and available for immediate occupation with vacant possession. Based on information provided by the Company, this market value represents an estimated surplus of approximately HK\$225 million over the carrying value of the KT Property of approximately HK\$350 million as reported in the 2009 Interim Report after taking into account the impact of deferred tax (the "Valuation Surplus"). We note that the NAV as reported in the 2009 Interim Report is approximately HK\$583 million. When the Valuation Surplus is added, the NAV would become approximately HK\$808 million (the "NAV After Valuation Surplus"), which represents a per Share value of approximately HK\$1.31 (the "NAV Per Share After Valuation Surplus").

However, we also note the following:

- (i) as noted in Our First Letter, based on our discussion with Savills and the management of the Company, we understand that there will be an expected increase in supply of office space in the Kowloon East area, where the KT Property is located. According to a Hong Kong office leasing brief dated 13 March 2009 issued and provided by Savills, Kowloon East had a relatively high vacancy rate of approximately 26.9% at the end of December 2008 as compared to other areas in Hong Kong. As such, it is possible that when the redevelopment of the KT Property is completed, its market value may be lower than the valuation as at 28 February 2009;
- (ii) as stated in the Supplemental Scheme Document, the Group's policy is to state properties at cost when their fair value could not be reliably determined. As the fair value of the KT Property is not reliably determinable for the duration of the redevelopment, in line with the accounting policy of the Group, the KT Property was stated in the accounts of the Group at its previous carrying amount of approximately HK\$350 million in the 2009 Interim Report;
- (iii) as stated in the Supplemental Scheme Document, the Company is considering retaining some portion the KT Property for the Group's self-use purposes such that at least that portion of the KT Property will not be considered as an investment property and hence, will not be subject to fair value adjustment even after redevelopment of the KT Property is completed; and
- (iv) as stated in the Supplemental Scheme Document, under Rule 4.29 of the Listing Rules, the pro forma NAV per Share based on the fair value of the KT Property must be reported on by the auditor or reporting accountants of the Company. The Auditors are of the view that the fair value of the KT Property to be arrived at its existing stage could not be reliably determined due to variance of the quality of the KT Property when it is completed and the

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date of its completion. The inclusion of the pro forma NAV per Share based on the fair value of the KT Property in the Supplemental Scheme Document would not be consistent with the Group's accounting policy. For this reason, the Auditors are unable to form an opinion on the pro forma NAV per Share.

Since the NAV After Valuation Surplus are subject to so many uncertainties as elaborated above, we are of the view that the final valuation surplus that may ultimately be recognised by the Company cannot be reliably and accurately determined at this stage and may also vary significantly from the NAV After Valuation Surplus. The Independent Shareholders and the Independent Optionholder are cautioned to be mindful of the above uncertainties when evaluating the impact of the KT Property on the NAV of the Group when considering the Improved Proposal.

Furthermore, we note the following:

- (i) information regarding the fact that the KT Property would be redeveloped and the estimated valuation of the KT Property upon completion of the redevelopment has been disseminated to the public as well as the Shareholders for approximately 3 years and that the Company has not announced any significant change in the redevelopment plan since it was first announced in March 2006. In this regard, we further note that as stated in the circular of the Company dated 29 April 2006 in relation to the redevelopment of the KT Property, the Company's proportionate share of the market value of the KT Property assuming it was fully completed and available for immediate occupation with vacant possession was approximately HK\$571 million as at 24 February 2006, which represents only a slight discount of approximately 7.75% from the valuation of HK\$619 million as at 28 February 2009. Accordingly, we are of the view that the redevelopment should have already been factored into the Share price; and
- (ii) as set out in the section headed "Comparable companies analysis" above, the Company should not be considered as a property company. In addition, the revenue or income generated from the property investment segment by the Group had been used to subsidise the loss or unsatisfactory performance of the garment and related accessories segment of the Group. As stated in the 2009 Interim Report and in the Supplemental Scheme Document, on completion of the KT Property, the Group will own the office space and certain car parks of the KT Property and this portion of the KT Property owned by the Group is expected to generate rental income to hedge a portion of the heavy rental expenses of the Group. These would render the analysis of the NAV of the Group inappropriate.

Taken into account these two factors together with our view that the final valuation surplus that may ultimately be recognised by the Company cannot be reliably and accurately determined at this stage, we are of the view that it would not be useful to compare the NAV Per Share After Valuation Surplus against the Revised Cancellation Consideration.

6. Benefits of the Improved Proposal to the Company

As stated in the Supplemental Scheme Document, the Directors are of the view that the ability of the Company to take advantage of its listing status on the Main Board of the Stock Exchange to

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raise funds from the equity markets has been limited as the Company has not undertaken any equity fund raising exercises for over 15 years. As stated in the section headed “Lack of use of equity capital market” in Our First Letter, the Company has not utilised its listing status to raise any funds from the equity capital market since its issue of 102,800,000 Shares in 1992. Given the current market conditions and that significant improvement in this regard is not expected in the foreseeable future, we concur with the Directors’ view that it is not justifiable for the Company to be continued to be burdened with the costs and management resources associated with maintaining its listing status and that in the circumstances, the Improved Proposal will also save such costs and management resources for the Company.

7. No increase statement

As stated in the letter from the Board in the Supplemental Scheme Document, the Offeror also stated in the Second Joint Announcement that it would not further increase the Revised Cancellation Consideration. We note that under the Takeovers Code, as a result of making such statement, only in wholly exceptional circumstances will the Offeror be allowed subsequently to amend the terms of the Improved Proposal. As such, we consider that the possibility of a further increase in the Revised Cancellation Consideration is very remote.

8. Option Offer

As the exercise price of all the Options is still above the Revised Cancellation Consideration, the Option Payment to be offered by the Offeror for the cancellation of those Options held by the Independent Optionholder will continue to be the nominal amount of HK\$0.01 for each 10,000 Option Shares underlying the Options in respect of which the Option Offer is accepted, as stated in the Scheme Document. As stated in the Supplemental Scheme Document, the Independent Optionholder has lodged his Option Offer Form with the Company and accepted the Option Offer in respect of the 2,250,000 Options held by him.

As the terms of the Option Offer remain the same and that although the Cancellation Consideration has been increased, the Revised Cancellation Consideration is still below the exercise price of all of these Options, we maintain our view that the Independent Optionholder would not be able to take advantage of the Scheme under the Improved Proposal for the same reasons given in Our First Letter and we further note that his Options were still all out-of-money as at the Latest Practicable Date.

MARKET CONDITION

Notwithstanding our recommendation set out below, the recent exceptional volatility and decline in the Hong Kong stock market as well as the impact of the global financial crisis may cause the Independent Shareholders to reconsider their exposure to equity investments generally and result in a decision to divest themselves of their shareholding in the Company.

Those Independent Shareholders who wish to realise part or all of their Shares should have regard to the market price of the Shares before the Scheme becomes effective and consider selling

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their Shares in the open market rather than accepting the Improved Proposal. Although the Independent Shareholders who sell at below the Revised Cancellation Consideration would run the risk of foregoing the full Revised Cancellation Consideration should the Scheme become effective, the Independent Shareholders may prefer the certainty of selling in the market.

Should such Independent Shareholders find that they cannot sell their Shares in the market at their target price due to the poor liquidity of the Shares, they may consider accepting the Improved Proposal. We draw the Independent Shareholders' attention to the Conditions and remind them that if the Conditions are not satisfied, the Improved Proposal will lapse.

RECOMMENDATION

Having considered the principal factors and reasons as set out in Our First Letter and the additional principal factors and reasons as set out above, in particular:

1. the continuing unsatisfactory performance of the Company's main line business of retail sale of garment and related accessories during the period for the six months ended 31 January 2009;
2. the outlook of the retail industry in Hong Kong and the PRC continues to remain grim;
3. the Revised Cancellation Consideration of HK\$0.42 falls within the trading range of the Shares in the 5-year period prior to and including the Last Trading Date and that the Shares had been consistently trading below the Revised Cancellation Consideration since 17 June 2008;
4. in comparison with its peers as represented by the Comparable Companies:
 - (i) the Revised Cancellation Consideration represents an EV/EBITDA for the Group that is significantly higher than the range of EV/EBITDA exhibited by the Comparable Companies;
 - (ii) the PBR of the Group as implied by the Improved Proposal is below the average, but nevertheless within the range, of the PBR of the Comparable Companies; and
 - (iii) the dividend yield of the Company assessed against those of the Comparable Companies fluctuates from year to year and does not portray a clear trend;
5. the premiums offered by the Revised Cancellation Consideration over the historical Share prices are at the high end of the respective ranges of the Comparable Transactions at varying intervals of time;
6. our view that the final valuation surplus resulting from the KT Property that may ultimately be recognised by the Company cannot be reliably and accurately determined at this stage and may also vary significantly from the NAV After Valuation Surplus as well as our view that it would not be useful to compare the NAV Per Share After Valuation Surplus against the Revised Cancellation Consideration;

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7. our view that the costs and management resources incurred to maintain the listing status of the Company is not justified and that the Improved Proposal will also save such costs and management resources for the Company after considering the fact that the Company has not utilised its listing status to raise any funds from the equity capital market for more than more than 15 years;
8. the possibility of a further increase in the Revised Cancellation Consideration is very remote as a result of the Offeror making a no increase statement; and
9. the Independent Optionholder would not be able to profit from the Scheme under the Improved Proposal; whilst his Options were still all out-of-money as at the Latest Practicable Date,

we conclude that when the above factors and reasons, including those factors and reasons which have been discussed in Our First Letter, are evaluated on an overall basis, the Improved Proposal is fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept and vote in favour of the Improved Proposal and the Independent Optionholder to accept the Option Offer.

Yours faithfully,
For and on behalf of

Platinum Securities Company Limited

Larry Chan
Director

Lenny Li
Assistant Director

EXPLANATORY STATEMENT

This explanatory statement constitutes the statement required under Section 166A of the Companies Ordinance.

INTRODUCTION

On 1 April 2009, the Offeror and the Company jointly announced that the Offeror proposed to increase the consideration payable by the Offeror under the Scheme for the cancellation and extinguishment of the Scheme Shares, from HK\$0.40 to an amount of HK\$0.42 in cash for each Scheme Share cancelled under the Scheme. The Offeror has decided to increase the Cancellation Consideration so as to make the Proposal more attractive to Independent Shareholders and has requested the Company to put forward the Improved Proposal to the Independent Shareholders.

The purpose of this explanatory statement is to explain the terms and effects of the Improved Proposal and to supplement the Explanatory Statement in the Scheme Document. The attention of the Shareholders is also drawn to the Explanatory Statement regarding the terms and effects of the Proposal as set out on pages 39 to 54 of the Scheme Document.

THE IMPROVED PROPOSAL

Revised Cancellation Consideration

Under the terms of the Improved Proposal, Scheme Shares will be cancelled in exchange for the payment to each Independent Shareholder of:

for each Scheme ShareHK\$0.42 in cash

Revised expected timetable

The revised expected timetable for the implementation of the Improved Proposal is set out on pages 2 to 5 of this document.

No other changes

Except as stated above in relation to the Revised Cancellation Consideration, the consequential changes in relation to the revised expected timetable and consequential amendments to the Conditions as described under the section headed "Update in relation to the Conditions" in the letter from the Board, all other terms of the Proposal as set out in the Scheme Document remain unchanged and constitute the terms of the Improved Proposal.

Option Offer

As the exercise price of all the Options is still above the Revised Cancellation Consideration, the Option Payment to be offered by the Offeror for the cancellation of those Options held by the Independent Optionholder will continue to be the nominal amount of HK\$0.01 for each 10,000 Option Shares underlying the Options in respect of which the Option Offer is accepted, as stated in the Scheme Document.

EXPLANATORY STATEMENT

The Independent Optionholder has lodged his Option Offer Form with the Company and accepted the Option Offer in respect of the 2,250,000 Options held by him.

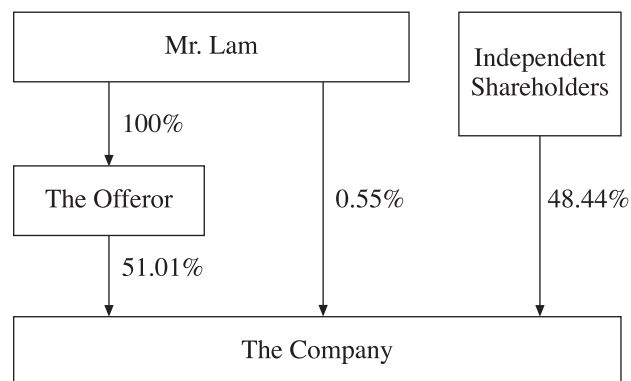
MODIFICATIONS TO THE SCHEME

The Offeror and the Company have jointly consented, subject to the approval of the High Court, to revise the Cancellation Consideration as stated in the Scheme from the original price of HK\$0.40 in cash for each Scheme Share held to the Revised Cancellation Consideration of HK\$0.42 in cash for each Scheme Share held. In that regard, it is proposed that certain conformatory modifications be made to the Scheme. The formal proposed modifications to the Scheme are set out in Appendix II to this document. Other than this, there have been no other changes to the Scheme, which in all other respects remains as set out in the Scheme Document.

EFFECTS OF THE SCHEME

Shareholding structure of the Company

An overview of the shareholding structure of the Company as at the Latest Practicable Date is set out below:



EXPLANATORY STATEMENT

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Improved Proposal:

Shareholders	As at the Latest Practicable Date		Upon completion of the Proposal (Note 2)	
	Number of Shares	%	Number of Shares	%
The Offeror and Mr. Lam (Note 1)	318,212,000	51.56	617,127,130	100.00
Independent Shareholders	<u>298,915,130</u>	<u>48.44</u>	<u>—</u>	<u>—</u>
Total	<u>617,127,130</u>	<u>100.00</u>	<u>617,127,130</u>	<u>100.00</u>

Notes:

1. Among the 318,212,000 Shares, 314,800,000 Shares are held directly by the Offeror and 3,412,000 Shares are held by Mr. Lam, who is deemed to be a party acting in concert with the Offeror under the Takeovers Code.
2. Under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Forthwith upon such reduction, the share capital of the Company will be increased to its former amount by the issue of the same number of Shares as is equal to the Scheme Shares cancelled and the credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the 298,915,130 New Shares to be issued, credited as fully paid, to the Offeror or as the Offeror may direct.

Material interests of Directors and effects of the Scheme on such interests

Details of the interests of the Directors in Shares which are set out on page 121 of the Scheme Document remain accurate as at the Latest Practicable Date. Details of the interests of the Offeror and Mr. Lam in Shares which are set out on page 47 of the Scheme Document also remain accurate as at the Latest Practicable Date. The Shares beneficially owned by the Offeror and Mr. Lam will not form part of the Scheme Shares and, as such, will not be voted at the adjourned Court Meeting.

Details of the Options held by Mr. Lam and Ms. Lam Wai Shan, Vanessa, an executive Director and deputy chief executive officer of the Company, and daughter of Mr. Lam, as disclosed on page 121 of the Scheme Document remain accurate as at the Latest Practicable Date. The Option Offer will not be available to such Options.

FURTHER INFORMATION

Further information is set out in the letter from the Board, and the appendices to, and elsewhere in, this document, which taken together with the Scheme Document, comprise an explanatory statement in accordance with Section 166A of the Companies Ordinance.

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

Set out below is the financial information of the Group for the six months ended 31 January 2009, which are extracted from the unaudited interim report of the Company for the period ended 31 January 2009.

Condensed Consolidated Income Statement

For the six months ended 31 January 2009

	<i>Notes</i>	Six months ended	
		31 January	
		2009	2008
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	245,240	230,739
Cost of sales		<u>(98,520)</u>	<u>(90,158)</u>
Gross profit		146,720	140,581
Fair value gain on investment property		—	10,000
Other income and gains	4	24,482	24,270
Selling and distribution costs		(144,052)	(138,139)
Administrative expenses		(26,562)	(26,600)
Other operating expenses, net	5	(2,722)	(2,999)
Finance costs		<u>(325)</u>	<u>(961)</u>
PROFIT/(LOSS) BEFORE TAX	5	(2,459)	6,152
Tax	6	<u>(3,408)</u>	<u>(3,887)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u><u>(5,867)</u></u>	<u><u>2,265</u></u>
EARNINGS/(LOSS) PER SHARE			
- basic (HK cents)	7	<u><u>(0.95)</u></u>	<u><u>0.37</u></u>

Note: There is no minority interests, extraordinary or exceptional items.

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

Condensed Consolidated Balance Sheet

As at 31 January 2009

		31 January 2009 (Unaudited)	31 July 2008 (Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		30,897	31,489
Investment properties		349,628	349,628
Construction in progress		3,326	3,326
Land lease prepayments		15,365	15,524
Rental and utility deposits		23,507	20,271
Deposits for land lease prepayments		<u>32,539</u>	<u>32,539</u>
		<u>455,262</u>	<u>452,777</u>
Current assets			
Inventories	8	103,386	81,344
Trade receivables, deposits and prepayments	9	72,858	71,917
Amounts due from related companies	17	710	845
Cash and cash equivalents	10	<u>114,492</u>	<u>149,371</u>
		291,446	303,477
Assets classified as held for sale		<u>4,075</u>	<u>4,857</u>
		<u>295,521</u>	<u>308,334</u>
Current liabilities			
Short-term borrowings		40,510	44,664
Trade and other payables	11	82,687	70,339
Amounts due to related companies	17	2,091	200
Tax payable		<u>6,693</u>	<u>3,285</u>
		<u>131,981</u>	<u>118,488</u>
Net current assets		<u>163,540</u>	<u>189,846</u>
Total assets less current liabilities		<u>618,802</u>	<u>642,623</u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

		31 January 2009 (Unaudited)	31 July 2008 (Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Provision for long service payments		1,192	1,192
Deferred tax liabilities	12	<u>35,016</u>	<u>35,016</u>
		<u>36,208</u>	<u>36,208</u>
Net assets		<u><u>582,594</u></u>	<u><u>606,415</u></u>
EQUITY			
Issued capital	13	154,282	154,282
Reserves		293,046	292,486
Retained profits		<u>135,266</u>	<u>159,647</u>
Total equity		<u><u>582,594</u></u>	<u><u>606,415</u></u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2009

	Issued capital	Share premium account	Capital reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 August 2007 (audited)	154,282	164,921	36	7,207	159,205	86,687	572,338
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	10,262	—	—	10,262
Reversal of deferred tax liabilities directly in equity on disposal of investment property	—	—	—	—	7,800	—	7,800
Transfer to profit or loss on disposal of investment property	—	—	—	—	(57,915)	57,915	—
Total income and expenses recognised directly in equity	—	—	—	10,262	(50,115)	57,915	18,062
Profit for the year	—	—	—	—	—	21,216	21,216
Total recognised income and expenses for the year	—	—	—	10,262	(50,115)	79,131	39,278
Recognition of equity-settled share-based payment	—	—	970	—	—	—	970
Dividend paid	—	—	—	—	—	(6,171)	(6,171)
At 31 July 2008 (audited) and 1 August 2008	154,282	164,921	1,006	17,469	109,090	159,647	606,415
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	75	—	—	75
Total income and expenses recognised directly in equity	—	—	—	75	—	—	75
Loss for the period	—	—	—	—	—	(5,867)	(5,867)
Total recognised income and expenses for the period	—	—	—	75	—	(5,867)	(5,792)
Recognition of equity-settled share-based payment	—	—	485	—	—	—	485
Dividend paid	—	—	—	—	—	(18,514)	(18,514)
At 31 January 2009 (unaudited)	<u>154,282</u>	<u>164,921</u>	<u>1,491</u>	<u>17,544</u>	<u>109,090</u>	<u>135,266</u>	<u>582,594</u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

Condensed Consolidated Cash Flow Statement*For the six months ended 31 January 2009*

	Six months ended	
	31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(23,828)	(10,352)
Net cash used in investing activities	(6,897)	(20,890)
Net cash generated from/(used in) financing activities	<u>(4,154)</u>	<u>39,290</u>
Net increase/(decrease) in cash and cash equivalents	(34,879)	8,048
Cash and cash equivalents at beginning of period	149,371	58,306
Effect of foreign exchange rate changes	<u>—</u>	<u>904</u>
Cash and cash equivalents at end of period	<u><u>114,492</u></u>	<u><u>67,258</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>114,492</u>	<u>67,258</u>
	<u><u>114,492</u></u>	<u><u>67,258</u></u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain investment properties which have been measured at fair value. The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2008, except for adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations (“Int”)) which are generally effective for annual periods beginning on or after 1 January 2008:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — Int 12	Service concession arrangements
HK(IFRIC) — Int 13	Customer loyalty programmes
HK(IFRIC) — Int 14	HKAS19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new HKFRSs has no material effect on the Group’s results and financial position for the current or prior accounting periods reflected in these financial statements.

The Group has not early adopted the following new HKFRSs which have been issued but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 1 (Revised)	First time adoption of HKFRS	1 July 2009
HKFRS 2 (Amendment)	Share-based payment — vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Improving disclosures about financial instruments	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) — Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	1 October 2008
HK(IFRIC) — Int 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) — Int 18	Transfer of assets from customers	1 July 2009
HKFRSs (Amendments) (Except for HKFRS 7 (Amendment))	Improvements to HKFRSs	1 July 2009

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

The directors of the Company anticipate that the application of these new HKFRSs will have no material impacts on the financial statements of the Group.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the garment and related accessories segment engages in the manufacture and sale of garments and related accessories; and
- (b) property investment segment invests in land and buildings for their rental income potential.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Business segments

For the six months ended 31 January 2009 (unaudited)

	Garment and related accessories <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:			
Sales to/income from external customers	245,240	—	245,240
Other revenue	19,579	4,260	23,839
Total	264,819	4,260	269,079
Segment results	(6,412)	3,643	(2,769)
Unallocated corporate income and expenses			(8)
			(2,777)
Interest income			643
Finance costs			(325)
Loss before tax			(2,459)
Tax			(3,408)
Loss for the period			(5,867)

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

	Garment and related accessories	Property investment	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets and liabilities:			
Segment assets	285,404	350,887	636,291
Unallocated assets			<u>114,492</u>
 Total assets			<u><u>750,783</u></u>
 Segment liabilities	85,377	593	85,970
Unallocated liabilities			<u>82,219</u>
 Total liabilities			<u><u>168,189</u></u>
 Other segment information:			
Depreciation of property, plant and equipment	7,470	—	7,470
Depreciation of assets classified as held for sale	349	—	349
Amortisation of land lease prepayments	159	—	159
Provision for bad and doubtful debts	424	—	424
Provision for slow-moving inventories, net	492	—	492
Capital expenditure	8,170	—	8,170
Loss on disposal/write-off of property, plant and equipment, net	1,289	—	1,289
Profit on disposal/write-off of assets classified as held for sale, net	(195)	—	(195)
Bad debts written off	<u>85</u>	<u>—</u>	<u>85</u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

For the six months ended 31 January 2008 (unaudited)

	Garment and related accessories	Property investment	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to/income from external customers	229,121	1,618	230,739
Other revenue	<u>19,782</u>	<u>4,260</u>	<u>24,042</u>
 Total	 <u>248,903</u>	 <u>5,878</u>	 <u>254,781</u>
 Segment results	 <u>(8,050)</u>	 <u>14,941</u>	 6,891
 Unallocated corporate income and expenses			 <u>(6)</u>
 Interest income			 6,885
Finance costs			<u>228</u> <u>(961)</u>
 Profit before tax			 6,152
 Tax			 <u>(3,887)</u>
 Profit for the period			 <u>2,265</u>
 Other segment information:			
Depreciation of property, plant and equipment	7,243	89	7,332
Amortisation of land lease prepayments	136	—	136
Provision for slow-moving inventories, net	2,242	—	2,242
Capital expenditure	21,119	—	21,119
Loss on disposal/write-off of property, plant and equipment, net	740	—	740
Bad debts written off	228	—	228
Fair value gain on investment property	<u>—</u>	<u>(10,000)</u>	<u>(10,000)</u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

Geographical segments

For the six months ended 31 January 2009 (unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:			
Sales to/income from external customers	155,322	89,918	245,240
Other revenue	<u>4,443</u>	<u>19,396</u>	<u>23,839</u>
Total	<u><u>159,765</u></u>	<u><u>109,314</u></u>	<u><u>269,079</u></u>
Other segment information:			
Segment assets	497,458	138,833	636,291
Unallocated assets			<u>114,492</u>
Total assets			<u><u>750,783</u></u>
Capital expenditure	<u>5,189</u>	<u>2,981</u>	<u>8,170</u>

For the six months ended 31 January 2008 (unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:			
Sales to/income from external customers	144,756	85,983	230,739
Other revenue	<u>6,296</u>	<u>17,746</u>	<u>24,042</u>
Total	<u><u>151,052</u></u>	<u><u>103,729</u></u>	<u><u>254,781</u></u>
Other segment information:			
Capital expenditure	<u>19,197</u>	<u>1,922</u>	<u>21,119</u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

4. OTHER INCOME AND GAINS

	Six months ended	
	31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Royalty income	18,752	16,345
Interest income	643	228
Sale of miscellaneous materials	433	461
Income from a related company for contributing an investment property as security	4,260	4,260
Others	371	2,976
	<u>24,459</u>	<u>24,270</u>
Gains		
Foreign exchange differences, net	23	—
	<u>24,482</u>	<u>24,270</u>

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended	
	31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	7,470	7,332
Depreciation of assets classified as held for sale	349	—
Amortisation of land lease prepayments	159	136
Provision for slow-moving inventories, net	492	2,242
Other operating expenses/(income):		
Severance payments	1,119	2,029
Provision for bad and doubtful debts, net	424	—
Bad debts written off	85	228
Loss on disposal/write-off of property, plant and equipment, net	1,289	740
Profit on disposal/write-off of assets classified as held for sale, net	(195)	—
Exchange loss, net	—	2
	<u>2,722</u>	<u>2,999</u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

6. TAX

No Hong Kong profits tax has been provided as the Group sustained a tax loss in Hong Kong during the period (2008 (unaudited): Nil). The prior period's tax charge represented deferred tax.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current - Elsewhere	3,408	2,997
Deferred - (note 12)	—	890
	<u>3,408</u>	<u>3,887</u>

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share is based on the loss of the Group for the period of HK\$5,867,000 (2008 (unaudited): profit of HK\$2,265,000) and the number of 617,127,130 (2008 (unaudited): 617,127,130) ordinary shares in issue throughout the period.

No diluted earnings/(loss) per share amount for the period ended 31 January 2009 and 2008 has been presented as the share options outstanding during these two periods had an anti-dilutive effect on the basic earnings/(loss) per share for the periods.

8. INVENTORIES

	31 January	31 July
	2009	2008
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	1,333	2,330
Work in progress	—	114
Finished goods	<u>102,053</u>	<u>78,900</u>
	<u>103,386</u>	<u>81,344</u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

9. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Trade receivables	41,210	34,710
Less: Allowance for bad and doubtful debts	<u>(15,731)</u>	<u>(15,353)</u>
	25,479	19,357
Deposits and prepayments	<u>47,379</u>	<u>52,560</u>
	<u><u>72,858</u></u>	<u><u>71,917</u></u>

- (i) Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

- (ii) All of the trade receivables (net of allowance for bad and doubtful debts) are expected to be recovered within one year.
- (iii) An aging analysis of the trade receivables as at the balance sheet date, net of provisions, based on the overdue date are as follows:

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Trade receivables:		
Current to 90 days	22,356	14,534
91 to 180 days	1,089	3,132
181 to 365 days	1,306	1,418
Over 365 days	<u>728</u>	<u>273</u>
	<u><u>25,479</u></u>	<u><u>19,357</u></u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

(iv) The movements in the allowance for bad and doubtful debts during the period, including both specific and collective loss components, are as follows:

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
At beginning of period	15,353	15,083
Impairment loss recognised	424	171
Exchange realignments	<u>(46)</u>	<u>99</u>
At end of period	<u><u>15,731</u></u>	<u><u>15,353</u></u>

At 31 January 2009, the Group's trade receivables of HK\$15,731,000 (31 July 2008 (audited): HK\$15,353,000) were individually determined to be impaired. The individually impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised. The Group does not hold any collateral over these balances.

(v) An aging analysis of trade receivables (net of provision for bad and doubtful debts) that are neither individually nor collectively considered to be impaired is as follows:

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Neither past due nor impaired	<u>5,638</u>	<u>5,521</u>
Past due		
Within 90 days	16,718	9,013
91 days - 180 days	1,089	3,132
181 days - 365 days	1,306	1,418
Over 365 days	<u>728</u>	<u>273</u>
	<u>19,841</u>	<u>13,836</u>
	<u><u>25,479</u></u>	<u><u>19,357</u></u>

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

10. CASH AND CASH EQUIVALENTS

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Cash and bank balances	114,492	79,365
Time deposits	—	70,006
Cash and cash equivalents	114,492	149,371

At 31 January 2009, cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$70,651,000 (31 July 2008 (audited): HK\$62,547,000). The RMB is not freely convertible into other currencies. However, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

11. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of the goods and services purchased, and the balances of deposits received and accruals and other payables are as follows:

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Trade payables:		
Current to 90 days	26,200	17,492
91 to 180 days	1,767	972
181 to 365 days	412	1,382
Over 365 days	1,351	1,141
	29,730	20,987
Deposits received	21,277	23,648
Accruals and other payables	31,680	25,704
	82,687	70,339

The trade payables are non-interest-bearing and are normally settled between 30 to 60 days.

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

12. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities and assets during the period are as follows:

	Losses available for offsetting against future taxable profits <i>HK\$'000</i>	Accelerated capital allowances <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net deferred tax assets/(liabilities) at 1 August 2007 (audited)	819	(560)	(50,305)	(50,046)
Reversal of deferred tax in respect of revaluation of investment property on its disposal	—	—	7,800	7,800
Effect on change in tax rate	(4)	17	2,109	2,122
Deferred tax credited/(charged) during the year	<u>(757)</u>	<u>265</u>	<u>5,600</u>	<u>5,108</u>
Net deferred tax assets/(liabilities) at 31 July 2008 (audited) and 1 August 2008	58	(278)	(34,796)	(35,016)
Deferred tax credited/(charged) during the period (note 6)	<u>(13)</u>	<u>13</u>	<u>—</u>	<u>—</u>
Net deferred tax assets/(liabilities) at 31 January 2009 (unaudited)	<u><u>45</u></u>	<u><u>(265)</u></u>	<u><u>(34,796)</u></u>	<u><u>(35,016)</u></u>

The Group has tax losses arising in Hong Kong of HK\$242,907,000 (31 July 2008 (audited): HK\$230,479,000). During the period, the Group did not have tax losses arising in Mainland China (31 July 2008 (audited): Nil). Tax losses in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised, to the extent that, in the Directors' opinion, it is uncertain that future taxable profits would arise to offset against these losses.

At 31 January 2009, there was no significant unrecognised deferred tax liability (31 July 2008 (audited): Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

13. SHARE CAPITAL

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Authorised		
800,000,000 ordinary shares of HK\$0.25 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
617,127,130 ordinary shares of HK\$0.25 each	<u>154,282</u>	<u>154,282</u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

14. OPERATING LEASE ARRANGEMENTS

(a) **As lessor**

At the balance sheet date, the Group had no future minimum lease receivables under non-cancellable operating lease.

(b) **As lessee**

The Group leases their office properties, warehouses and retail outlets under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Within one year	95,278	94,418
In the second to fifth years, inclusive	<u>73,850</u>	<u>93,366</u>
	<u><u>169,128</u></u>	<u><u>187,784</u></u>

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and a contingent rent based on sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following capital commitments at the balance sheet date:

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Contracted but not provided for:		
Land lease payments in Mainland China	3,939	4,076
Cost of construction of warehouse and senior staff quarters in Mainland China	13,406	—
Expenditure on shop decorations in Hong Kong	<u>1,370</u>	<u>679</u>
	<u><u>18,715</u></u>	<u><u>4,755</u></u>

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

16. CONTINGENT LIABILITIES

As at 31 January 2009, the Group had the following contingent liabilities:

On 28 February 2006, the Company, Lai Sun Garment (International) Limited (“LSG”) and Unipress Investments Limited (“Unipress”), a wholly-owned subsidiary of LSG, entered into a conditional development agreement (the “Development Agreement”) in connection with the redevelopment of an investment property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon (the “KT Property”). Further details of the redevelopment are included in the Company’s circular dated 29 April 2006. In accordance with the Development Agreement, if construction finance is required by Unipress for financing the development and construction cost of the KT Property, the Group has agreed to provide or procure such security over or in relation to the KT Property as may reasonably be required by the relevant lending institution(s) and LSG is expected to provide a corporate guarantee as security for such finance.

On 8 February 2007, the Company’s wholly-owned subsidiary, Crocodile KT Investment Limited (“Crocodile KT”) entered into an agreement with a bank for a HK\$361,000,000 term loan facility for financing the development and construction cost of the KT Property. The term loan drawn will be secured by a first legal charge over the KT Property and a first floating charge over all the undertaking, property and assets of Crocodile KT.

Pursuant to a deed of undertaking, guarantee and indemnity entered into amongst the Company, Crocodile KT, Unipress and LSG dated 10 July 2006, Crocodile KT is only required to be a party to the term loan arrangement, and Unipress and LSG should be responsible for the funding obligations in respect thereof. Accordingly, in substance Unipress and LSG are the borrowers of the term loan and the term loan would not be recognised in the financial statements of the Group.

As at 31 January 2009, the total amount of bank term loan drawn in respect of the above facility was HK\$144,000,000 (31 July 2008 (audited): HK\$82,000,000).

Apart from the foregoing, at 31 January 2009, the Group has also entered into a number of construction and consultancy contracts for the redevelopment of the KT Property with the contractors and consultants of aggregate principal sums of approximately HK\$327,321,000 (31 July 2008 (audited): HK\$326,760,000). The Group has also simultaneously entered into respective deeds of undertaking with Unipress and these contractors pursuant to which Unipress/LSG unconditionally and irrevocably undertakes to these contractors, as primary obligor/guarantor, to perform all obligations of the Group and to pay to the contractors all amounts due from time to time on the part of the Group under and in accordance with the terms of these construction and consultancy contracts. Accordingly, the obligation of these contracts would not be reflected in the financial statements of the Group.

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

		Six months ended	
		31 January	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	(i)	1,344	1,259
Related companies	(ii)	1,528	1,617
Royalty income from a related company	(iii)	190	—
Income from a related company for contributing an investment property as security	(iv)	4,260	4,260

Notes:

- (i) Lai Sun Textiles Company Limited is a company beneficially owned by certain Directors of the Company. The rental expenses and building management fee were paid to this related company pursuant to the respective lease agreements.

- (ii) The rental expenses and building management fee were paid to these related companies, of which certain Directors of the Company are also the directors of these related companies, based on terms stated in the respective lease agreements.

- (iii) The royalty income was received from a related company of which certain Directors of the Company are also the directors of this related company.

- (iv) In consideration of the Group contributing the KT Property as security for the construction finance, in accordance with the Development Agreement, Unipress will make a quarterly payment of HK\$2,130,000 to the Group during the period from the delivery of vacant possession of the KT Property to the completion of construction.

The Directors consider that the above transactions have been conducted in the ordinary and usual course of the Group's business.

APPENDIX I UPDATED FINANCIAL INFORMATION OF THE GROUP

(b) Outstanding balances with related parties

	31 January 2009 (Unaudited) <i>HK\$'000</i>	31 July 2008 (Audited) <i>HK\$'000</i>
Amounts due from related companies	<u>710</u>	<u>845</u>
Amounts due to related companies	<u>2,091</u>	<u>200</u>

The balances were derived from normal business activities and are unsecured, interest-free and repayable on terms similar to those granted to major customers or by major suppliers of the Group. The carrying amounts of these amounts approximate to their fair values.

The Offeror and the Company have jointly consented, subject to the approval of the High Court, for and on behalf of all parties concerned in the Scheme to the following modifications to the Scheme:

- (a) The definition of “Scheme Document” in Recital (A) of the Scheme shall be deleted and replaced with the following new definition:

“Scheme Document” the document dated 27 March 2009 issued by the Company and the Offeror which includes this Scheme, as supplemented by the document dated 30 April 2009 issued by the Company and the Offeror which is supplemental to and should be read in conjunction with the document dated 27 March 2009

- (b) The amount of “HK\$0.40” in the second paragraph of Recital (G) of the Scheme shall be deleted and replaced with the amount of “HK\$0.42”.
- (c) The amount of “HK\$0.40” in clause 2 of the Scheme shall be deleted and replaced with the amount of “HK\$0.42”.
- (d) The date “27 March 2009” at the end of the Scheme shall be deleted and replaced with “30 April 2009”.

Shareholders

Summary of background

On 1 April 2009, the Offeror announced its proposal to increase the Cancellation Consideration to the Revised Cancellation Consideration of HK\$0.42 per Scheme Share. In order to give the Independent Shareholders the opportunity to consider the Improved Proposal, the Court Meeting and the EGM originally convened to be held on 23 April 2009 were adjourned. The Court Meeting has been adjourned to 10:00 a.m. on Tuesday, 26 May 2009, and the EGM has been adjourned to 10:30 a.m. on Tuesday, 26 May 2009 or as soon thereafter as the adjourned Court Meeting is concluded or adjourned. Both meetings will be held at Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Kowloon, Hong Kong.

In order to be effective, the Scheme will require approval at the adjourned Court Meeting by the requisite majority of Independent Shareholders specified on page 13 of this document. The implementation of the Scheme will also require approval of the special resolution to be proposed at the adjourned EGM, by the requisite majority of Shareholders specified in respect of that resolution on page 14 of this document.

Eligibility to attend and vote

Only Independent Shareholders whose names are in the Register on Tuesday, 26 May 2009 will be eligible to attend and vote at the adjourned Court Meeting.

Similarly, only Shareholders whose names are in the Register on Tuesday, 26 May 2009 will be eligible to attend and vote at the adjourned EGM.

New forms of proxy

Shareholders should have received, with the Scheme Document posted to Shareholders on 27 March 2009, a pink form of proxy in respect of the Court Meeting and a white form of proxy in respect of the EGM.

Shareholders will find enclosed with this document an additional pink form of proxy for use in connection with the adjourned Court Meeting and an additional white form of proxy for use in connection with the adjourned EGM. These should be completed if you wish to make any proxy appointment (or to revoke or revise any proxy appointment which you have already made) in connection with the adjourned Court Meeting and/or the adjourned EGM.

Status of previously submitted forms of proxy

IF SHAREHOLDERS WHOSE NAMES WILL BE IN THE REGISTER ON TUESDAY, 26 MAY 2009 HAVE ALREADY COMPLETED AND RETURNED EITHER OR BOTH FORMS OF PROXY DISTRIBUTED WITH THE SCHEME DOCUMENT, THOSE FORMS OF PROXY (INCLUDING THE VOTING INSTRUCTIONS, IF ANY, GIVEN IN THOSE FORMS OF PROXY) WILL REMAIN VALID FOR THE ADJOURNED COURT MEETING AND THE

ADJOURNED EGM RESPECTIVELY, UNLESS YOU COMPLETE AND RETURN A NEW FORM OF PROXY OR UNLESS YOU ATTEND IN PERSON AND VOTE AT THE ADJOURNED MEETING OR UNLESS INTIMATION IN WRITING OF REVOCATION OF THE PROXY OR POWER OF ATTORNEY OR OTHER AUTHORITY UNDER WHICH THE PROXY WAS EXECUTED HAS BEEN RECEIVED (I) IN THE CASE OF THE ADJOURNED COURT MEETING, BY THE COMPANY SECRETARY OF THE COMPANY OR THE CHAIRMAN OF THE ADJOURNED COURT MEETING ON THE DAY AND AT THE PLACE, BUT BEFORE COMMENCEMENT, OF THE ADJOURNED COURT MEETING (OR ANY FURTHER ADJOURNMENT THEREOF) AT WHICH THE PROXY IS USED; AND (II) IN THE CASE OF THE ADJOURNED EGM, BY THE REGISTRAR OF THE COMPANY, TRICOR TENGIS LIMITED, AT 26TH FLOOR, TESBURY CENTRE, 28 QUEEN'S ROAD EAST, WANCHAI, HONG KONG AT LEAST 2 HOURS BEFORE THE COMMENCEMENT OF THE ADJOURNED EGM (OR ANY FURTHER ADJOURNMENT THEREOF) AT WHICH THE PROXY IS USED.

This means that, UNLESS YOU COMPLETE AND RETURN A NEW FORM OF PROXY WITH NEW VOTING INSTRUCTIONS OR YOU ATTEND IN PERSON AND VOTE AT THE ADJOURNED MEETING OR WRITTEN INTIMATION OF REVOCATION OF THE PROXY OR POWER OF ATTORNEY OR OTHER AUTHORITY UNDER WHICH THE PROXY WAS EXECUTED HAS BEEN RECEIVED IN ACCORDANCE WITH THE ABOVE PARAGRAPH, a previously submitted form of proxy containing a vote "against" a resolution will be counted as a vote "against" the relevant resolution when it is proposed at the adjourned meeting (notwithstanding the increase in the Cancellation Consideration) or, conversely, a previously submitted form of proxy containing a vote "for" a resolution will be counted as a vote "for" the relevant resolution when it is proposed at the adjourned meeting (again, notwithstanding the increase in the Cancellation Consideration).

Shareholders who wish their existing form(s) of proxy to remain in place

SHAREHOLDERS WHOSE NAMES WILL BE IN THE REGISTER ON TUESDAY, 26 MAY 2009 AND WHO WISH ANY EXISTING FORM(S) OF PROXY TO REMAIN IN PLACE NEED NOT TAKE ANY ACTION.

Shareholders who wish to change their voting instructions or proxy appointment

IF SHAREHOLDERS WHOSE NAMES WILL BE IN THE REGISTER ON TUESDAY, 26 MAY 2009 WISH TO CHANGE THEIR VOTING INSTRUCTIONS FOR THE ADJOURNED COURT MEETING AND/OR THE ADJOURNED EGM, OR TO REVISE ANY PROXY APPOINTMENT WHICH HAS ALREADY BEEN MADE, THEY SHOULD COMPLETE AND RETURN THE NEW FORMS OF PROXY ENCLOSED WITH THIS DOCUMENT. ANY NEW FORMS OF PROXY SO RETURNED WILL SUPERSEDE ANY PREVIOUS FORM(S) OF PROXY WHICH HAVE PREVIOUSLY BEEN SUBMITTED BY THEM IN RESPECT OF THE SAME SHARES.

ALTERNATIVELY, SHAREHOLDERS CAN ATTEND IN PERSON AND VOTE AT THE RELEVANT MEETING. IN SUCH EVENT, A PREVIOUSLY COMPLETED AND RETURNED FORM OF PROXY WILL BE DEEMED TO HAVE BEEN REVOKED.

IN RESPECT OF SHAREHOLDERS WHO COMPLETE AND DELIVER THE FORMS OF PROXY, BUT DO NOT ATTEND AND VOTE IN PERSON AT THE ADJOURNED COURT MEETING OR THE ADJOURNED EGM, A VOTE GIVEN IN ACCORDANCE WITH THE TERMS OF A FORM OF PROXY OR POWER OF ATTORNEY SHALL BE VALID NOTWITHSTANDING THE REVOCATION OF THE PROXY OR THE POWER OF ATTORNEY OR OTHER AUTHORITY UNDER WHICH THE PROXY WAS EXECUTED PROVIDED NO INTIMATION IN WRITING OF SUCH REVOCATION SHALL HAVE BEEN RECEIVED (I) IN THE CASE OF THE ADJOURNED COURT MEETING, BY THE COMPANY SECRETARY OF THE COMPANY OR THE CHAIRMAN OF THE ADJOURNED COURT MEETING ON THE DAY AND AT THE PLACE, BUT BEFORE COMMENCEMENT, OF THE ADJOURNED COURT MEETING AT WHICH THE PROXY IS USED; AND (II) IN THE CASE OF THE ADJOURNED EGM, BY THE REGISTRAR OF THE COMPANY, TRICOR TENGIS LIMITED, AT 26TH FLOOR, TESBURY CENTRE, 28 QUEEN'S ROAD EAST, WANCHAI, HONG KONG AT LEAST 2 HOURS BEFORE THE COMMENCEMENT OF THE ADJOURNED EGM AT WHICH THE PROXY IS USED.

Shareholders who have not previously completed and returned forms of proxy

IF SHAREHOLDERS WHOSE NAMES WILL BE IN THE REGISTER ON TUESDAY, 26 MAY 2009 HAVE NOT ALREADY COMPLETED AND RETURNED FORMS OF PROXY FOR THE COURT MEETING AND/OR THE EGM, THEY SHOULD COMPLETE AND RETURN THE NEW FORMS OF PROXY ENCLOSED WITH THIS DOCUMENT IF THEY WISH TO APPOINT A PROXY AND/OR GIVE VOTING INSTRUCTIONS FOR THE ADJOURNED MEETINGS.

Forms of proxy submitted by persons who dispose of their Shares prior to Tuesday, 26 May 2009

If a Shareholder has previously completed and returned a form of proxy in respect of his Shares, but is no longer the registered holder of those Shares on Tuesday, 26 May 2009, the form of proxy submitted by the former Shareholder in respect of those Shares will not be valid for the adjourned Court Meeting or the adjourned EGM (as the case may be) and will be disregarded. Only Shareholders whose names are in the Register on Tuesday, 26 May 2009 will be eligible to attend and vote at the adjourned Court Meeting and the adjourned EGM respectively.

If a Shareholder whose name is in the Register on Tuesday, 26 May 2009 has previously completed and returned forms of proxy for use at the Court Meeting and/or the EGM but has subsequently sold part of his shareholding since the date on which the forms of proxy were returned, then, unless the Shareholder completes and returns new forms of proxy in respect of the Shareholder's remaining Shares, the previously returned forms of proxy will remain valid for the adjourned meetings in respect of the Shareholder's remaining Shares registered in his name on Tuesday, 26 May 2009.

Forms of proxy submitted by Shareholders who have subsequently acquired additional Shares

If a Shareholder has previously completed and returned forms of proxy for use at the Court Meeting and/or the EGM but has subsequently acquired additional Shares, such Shareholders should complete and return new forms of proxy enclosed with this document in respect of those additional Shares, if the Shareholder wishes to appoint a proxy and/or give voting instructions for the adjourned meetings in respect of those additional Shares. Those new forms of proxy may be completed and returned in respect of all the Shares held by a Shareholder (in which case the new forms of proxy will supersede the forms of proxy previously completed and returned) or in respect of only the additional Shares acquired (in which case the previously completed and returned forms of proxy will remain valid in respect of the numbers of Shares in respect of which they were previously completed and returned).

Shareholders not precluded from attending and voting in person

The completion and return of a form of proxy for the adjourned Court Meeting and/or the adjourned EGM will not preclude shareholders from attending and voting in person at the relevant meeting. In such event, the returned form(s) of proxy will be deemed to have been revoked.

Closure of the Register

For the purposes of determining the entitlements of Shareholders to attend and vote at the adjourned Court Meeting and the adjourned EGM, the Register will be closed from Thursday, 21 May 2009 to Tuesday, 26 May 2009 (both days inclusive) and during such period no transfer of Shares will be effected. In order to qualify to vote at the adjourned Court Meeting and the adjourned EGM, all transfers accompanied by the relevant Share certificates must be lodged with the registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 20 May 2009.

General

It is important that, for the adjourned Court Meeting in particular, as many votes as possible are cast so that the High Court may be satisfied that there is a fair and reasonable representation of shareholder opinion. **Whether or not Shareholders intend to attend the adjourned Court Meeting and/or the adjourned EGM in person, Shareholders are strongly urged to complete and return their forms of proxy in accordance with the instructions printed on them,** and to lodge them with the registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. In order to be valid, the pink form of proxy for use at the adjourned Court Meeting should be lodged not later than 10:00 a.m. on Sunday, 24 May 2009 and the white form of proxy for use at the adjourned EGM should be lodged not later than 10:30 a.m. on Sunday, 24 May 2009.

Action to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS

No person shall be recognised by the Company as holding any Shares upon any trust.

If you are a Beneficial Owner whose Shares are held by a Registered Owner (such as a nominee, depositary, trustee or authorised custodian), you should contact the Registered Owner and check whether any voting instruction submitted before the date of this document remains valid or is void. You should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which your Shares should be voted at the adjourned Court Meeting and/or adjourned EGM. Such instructions and/or arrangements should be given or made in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the adjourned Court Meeting and the adjourned EGM or otherwise in accordance with the instructions of the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its form of proxy and to submit it by the deadline stated in this Appendix III, or otherwise to vote at the adjourned meetings. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the adjourned Court Meeting and the adjourned EGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should (unless you are a person admitted to participate in CCASS as an Investor Participant) contact your Intermediary and check whether any voting instruction submitted before the date of this document remains valid or is void. You should contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the manner in which your Shares should be voted at the adjourned Court Meeting and/or the adjourned EGM. Such instructions and/or arrangements should be given or made in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for voting in respect of the Scheme by CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS.

The procedure for voting at the adjourned Court Meeting and the adjourned EGM by Beneficial Owners who have been admitted to participate in CCASS as Investor Participants shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS. Beneficial Owners who have been admitted to participate in CCASS as Investor Participants should contact CCASS to check whether any voting instruction submitted before the date of this document remains valid or is void and to provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial Owner’s Shares should be voted at the adjourned Court Meeting and/or the adjourned EGM.

Independent Optionholder

The Independent Optionholder has lodged his Option Offer Form with the Company and accepted the Option Offer in respect of the 2,250,000 Options held by him. Therefore, no further action needs to be taken by the Independent Optionholder.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Scheme and the Company.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document misleading.

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

2. UPDATE OF CERTAIN INFORMATION DISCLOSED IN APPENDIX III TO THE SCHEME DOCUMENT

In accordance with Rule 8.5 of the Takeovers Code, the following matters dealt with in Appendix III to the Scheme Document are updated as follows:

Changes or additions to material contracts:

Between the Scheme Document Latest Practicable Date and the Latest Practicable Date, there has been no change to the information in section 8 (“Material contracts”) as set out on page 127 of the Scheme Document.

Disclosure of interests under the SFO:

Between the Scheme Document Latest Practicable Date and the Latest Practicable Date, there has been no change to the information in section 3 (“Disclosure of interests under the SFO”) as set out on pages 121 to 122 of the Scheme Document.

Disclosure of interests under the Takeovers Code:

Between the Scheme Document Latest Practicable Date and the Latest Practicable Date, there has been no change to the information in section 4 (“Disclosure of interests under the Takeovers Code”) as set out on pages 123 to 124 of the Scheme Document.

Dealings in securities

Between the Scheme Document Latest Practicable Date and the Latest Practicable Date, there has been no change to the information in section 5 (“Dealings in securities”) as set out on pages 125 to 126 of the Scheme Document.

Miscellaneous

- (a) No benefit (other than statutory compensation) will be given to any Director as compensation for loss of office or otherwise in connection with the Improved Proposal.
- (b) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with the Offeror and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the outcome of the Improved Proposal.
- (c) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Improved Proposal or otherwise connected with the Improved Proposal.
- (d) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director has a material personal interest.
- (e) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Improved Proposal.
- (f) As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months preceding the Announcement Date; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.
- (g) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror, or any party acting in concert with the Offeror, and any other person.

Ultimate owners of securities acquired under the Scheme

As at the Latest Practicable Date, there is no change to the ultimate owner of securities proposed to be acquired under the Scheme from that disclosed in the Scheme Document.

3. CONSENTS

Each of Access Capital, Platinum and Shu Lun Pan Horwath Hong Kong CPA Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its opinion and/or letter (as the case may be) and references to its name, in the form and context in which they appear.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the documents listed in section 13 (“Documents available for inspection”) of Appendix III to the Scheme Document will continue to be available for inspection (i) at Room 903, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday (Saturdays, Sundays and public holidays excepted); (ii) on the website of the Company at www.crocodile.com.hk; and (iii) on the website of the SFC at www.sfc.hk, until the Effective Date or the date on which the Scheme lapses or is withdrawn (whichever is the earliest). In addition, copies of the following documents will also be made available for inspection at the same locations from the date of this document until the Effective Date or the date on which the Scheme lapses or is withdrawn (whichever is the earliest):-

- (a) the letter from the Board as set out on pages 6 to 18 of this document;
- (b) the letter from the Independent Board Committee as set out on pages 19 to 20 of this document;
- (c) the letter from Platinum as set out on pages 21 to 37 of this document;
- (d) the written consents in relation to this document given by Access Capital, Platinum and Shu Lun Pan Horwath Hong Kong CPA Limited; and
- (e) the interim report of the Company for the six months ended 31 January 2009.

NOTICE OF ADJOURNED COURT MEETING

HCMP 479/09

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO.479 OF 2009**

**In the Matter
of
CROCODILE GARMENTS LIMITED
(鱷魚恤有限公司)
("the Company")**

and

**In the Matter
of
Section 166(1) of the COMPANIES ORDINANCE,
Chapter 32 of the Laws of Hong Kong**

and

**In the Matter
of
Order 102, rule 2 of THE RULES OF THE HIGH COURT,
Chapter 4A of the Laws of Hong Kong**

NOTICE OF ADJOURNED COURT MEETING

On 24 March 2009, the High Court of the Hong Kong Special Administrative Region (the "Court") ordered that the Company do convene a meeting (the "Court Meeting") to be held in Hong Kong of all holders of ordinary shares of HK\$0.25 each in the capital of the Company (the "Shares") other than those of such shares beneficially owned by Rich Promise Limited and Mr. Lam Kin Ming (the "Independent Shareholders") for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the Independent Shareholders (the "Scheme of Arrangement").

NOTICE OF ADJOURNED COURT MEETING

Pursuant to the said Order of 24 March 2009, the Company by notice dated 27 March 2009, summoned the Court Meeting to be held in Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Kowloon, Hong Kong on Thursday, 23 April 2009 at 10:00 a.m..

By notice also dated 27 March 2009, the Company summoned an Extraordinary General Meeting to be held in the said Fanling Room on Thursday, 23 April 2009 at 10:30 a.m. (or as soon thereafter as the Court Meeting shall have concluded or adjourned) for the purpose of passing a Special Resolution approving the Scheme of Arrangement with any modification thereof or addition thereto or condition approved or imposed by the Court.

On or about 1 April 2009, Rich Promise Limited proposed a modification of the Scheme of Arrangement by increasing the consideration for cancellation of each Scheme Share (as defined in the Scheme of Arrangement) from HK\$0.40 to HK\$0.42. By a joint announcement of Rich Promise Limited and the Company dated 1 April 2009, it was made clear that the Court Meeting and the Extraordinary General Meeting scheduled to be held on 23 April 2009 will have to be adjourned to a date which is not less than 21 clear days after the date of posting and delivery of the Supplemental Scheme Document (as defined below) in order to allow the Independent Shareholders to consider the Scheme of Arrangement as modified.

By a further Order of the Court dated 21 April 2009 (the "April 2009 Order"), the Chairman of the Court Meeting was directed to adjourn the Court Meeting on 23 April 2009 to a date not less than 21 days after the despatch of a Supplemental Scheme Document in relation to the Scheme of Arrangement as referred to in the said Order of 24 March 2009. The Court Meeting so adjourned will hereinafter be referred to as the "Adjourned Court Meeting".

Pursuant to the April 2009 Order, the following documents are given together with this Notice, namely:

- (a) the composite document dated 27 March 2009 sent by the Company to the Independent Shareholders (the "Scheme Document") which embodies therein the Explanatory Statement as required under section 166A of the Companies Ordinance;
- (b) the composite document dated 30 April 2009, of which this Notice forms part, sent by the Company to the Independent Shareholders (the "Supplemental Scheme Document") which embodies therein a further Explanatory Statement as required under section 166A of the Companies Ordinance; and
- (c) a form of proxy for the Adjourned Court Meeting (in the form as settled by the Court).

NOTICE IS HEREBY GIVEN that the Adjourned Court Meeting will be held at Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Kowloon, Hong Kong on Tuesday, 26 May 2009 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve (with or without further modification), a Scheme of Arrangement proposed to be made between the Company and the Independent Shareholders as set out in the Scheme Document and modified by the Supplemental Scheme Document.

NOTICE OF ADJOURNED COURT MEETING

Voting at the Adjourned Court Meeting

The Independent Shareholders may vote in person at the Adjourned Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Adjourned Court Meeting is enclosed with the Scheme Document and the Supplemental Scheme Document of which this Notice forms part.

Proxies

Independent Shareholders that have already lodged a properly executed pink form of proxy prior to the date of this Notice should note that such proxies remain valid for the Adjourned Court Meeting unless the Independent Shareholder elects to

- (i) lodge a new pink form of proxy in respect of the relevant Shares, or
- (ii) attend in person and vote at the Adjourned Court Meeting, or
- (iii) provide intimation in writing of revocation of the proxy or power of attorney or other authority under which the proxy was executed and which intimation in writing has been received by the company secretary of the Company or the Chairman of the Adjourned Court Meeting on the day and at the place, but before the commencement of the Adjourned Court Meeting or further Adjourned Court Meeting at which the proxy is to be used.

Independent Shareholders that have sold or transferred some of their Scheme Shares should note that any pink forms of proxy previously lodged in relation to the balance of the Scheme Shares that remain registered in the name of the Independent Shareholder as at the date on which entitlements to attend and vote at the Adjourned Court Meeting are to be determined remain valid for the Adjourned Court Meeting, unless the Independent Shareholder elects to adopt one of the three steps referred to in the preceding paragraph.

The pink form of proxy together with the instrument appointing the proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding of the Adjourned Court Meeting or further Adjourned Court Meeting at which the person named in such instrument proposes to vote, but if the proxies are not so lodged they may be handed to the Chairman of the Adjourned Court Meeting at the Adjourned Court Meeting.

Completion and delivery of the form of proxy will not preclude an Independent Shareholder from attending and voting at the Adjourned Court Meeting if he so wishes, but in the event of an Independent Shareholder so attending and voting at the Adjourned Court Meeting, the pink form of proxy will be deemed to have been revoked.

If an Independent Shareholder completes and delivers the pink form of proxy, but does not attend and vote in person at the Adjourned Court Meeting, a vote given in accordance with the terms of an instrument of proxy or power of attorney shall be valid notwithstanding the revocation of the proxy

NOTICE OF ADJOURNED COURT MEETING

or the power of attorney or other authority under which the proxy was executed provided no intimation in writing of such revocation shall have been received by the company secretary of the Company or the Chairman of the Adjourned Court Meeting on the day and at the place, but before the commencement of the Adjourned Court Meeting or further Adjourned Court Meeting at which the proxy is used.

Joint holders

In the case of joint holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand on the Register of Members of the Company in respect of the relevant joint holding.

Determination of entitlements

For the purpose of determining the entitlements to attend and vote at the Adjourned Court Meeting, the Register of Members of the Company will be closed between Thursday, 21 May 2009 and Tuesday, 26 May 2009, both dates inclusive.

Chairman for the Adjourned Court Meeting

For the avoidance of doubt, the Court has, by the April 2009 Order appointed Mr. Tong Ka Wing, Carl or, failing him, Mr. Wan Yee Hwa, Edward or, failing him, Mr. Chow Bing Chiu to act as Chairman of the Adjourned Court Meeting and has directed the Chairman to report the result thereof to the Court.

Approval by the Court

As explained in the Explanatory Statement which formed part of the Scheme Document and the Supplemental Scheme Document both sent together with this Notice, the Scheme of Arrangement as modified will be subject to the subsequent approval by the Court.

Dated 30 April 2009

WOO, KWAN, LEE & LO
26th Floor, Jardine House
1 Connaught Place
Central
Hong Kong
Solicitors for the Company

NOTICE OF ADJOURNED EGM



Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of the above-named Company held on 23 April 2009 has been adjourned to Tuesday, 26 May 2009 when the same will be adjourned at Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, 64 Mody Road, Kowloon, Hong Kong at 10:30 a.m. (or as soon thereafter as the meeting of certain holders of the ordinary shares of HK\$0.25 each in the capital of the Company convened pursuant to the Orders of the High Court of the Hong Kong Special Administrative Region dated 24 March 2009 and 21 April 2009 for the same place and day shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the Scheme of Arrangement (the “Scheme”) between the Company and the holders of Scheme Shares (as defined in the Scheme) in the form of the print which has been produced to this Meeting and for the purpose of identification signed by the Chairman of this Meeting, with any modification thereof or addition thereto or condition approved or imposed by the High Court of the Hong Kong Special Administrative Region, be and is hereby approved; and
- (B) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the authorised and issued capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of capital taking effect, the authorised capital of the Company be increased to its former amount of HK\$200,000,000 by the creation of such number of new ordinary shares of HK\$0.25 each in the capital of the Company as is equal to the number of the Scheme Shares cancelled; and

NOTICE OF ADJOURNED EGM

- (iii) the Company shall apply the credit arising in its books of account as a result of such reduction of capital in paying up in full at par the new ordinary shares of HK\$0.25 each in the capital of the Company to be created as aforesaid, which new shares shall be allotted and issued, credited as fully paid, to Rich Promise Limited or as it may direct and the Directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly.”

By Order of the Board
Yeung Kam Hoi
Company Secretary

Dated 30 April 2009

Registered Office:

11th Floor, Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

- (i) A member entitled to attend and vote at the above adjourned Extraordinary General Meeting is entitled to appoint more than one proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (ii) A white form of proxy for use at the adjourned Extraordinary General Meeting is enclosed with the composite document of which this Notice forms part.
- (iii) (a) The white form of proxy together with the instrument appointing the proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the adjourned Extraordinary General Meeting or further adjourned Extraordinary General Meeting or poll (as the case may be) at which the person named in such instrument proposes to vote and in default the form of proxy shall not be treated as valid.
- (b) Completion and delivery of the white form of proxy will not preclude you from attending and voting in person at the adjourned Extraordinary General Meeting or the further adjourned Extraordinary General Meeting or poll (as the case may be) and, in such event, the white form of proxy will be deemed to have been revoked.

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- (c) If you complete and deliver the white form of proxy but do not attend and vote in person at the adjourned Extraordinary General Meeting or the further adjourned Extraordinary General Meeting or poll (as the case may be), a vote given in accordance with the terms of an instrument of proxy or power of attorney shall be valid notwithstanding the revocation of the proxy or the power of attorney or other authority under which the proxy was executed provided no intimation in writing of such revocation shall have been received by the Registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at least 2 hours before the commencement of the adjourned Extraordinary General Meeting or further adjourned Extraordinary General Meeting at which the proxy is used.
- (iv) Where there are joint registered holders of any share, any one of such persons may vote at the adjourned Extraordinary General Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the adjourned Extraordinary General Meeting personally or by proxy, that one of the holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.