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## Easyknit International Holdings Limited

永義國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The board of directors of Easyknit International Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2009 together with comparative figures. These interim results have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	Six months ended	
		30 September	
		2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	241,535	216,887
Cost of sales		(198,600)	(174,028)
Gross profit		42,935	42,859
Other income		6,626	11,797
Distribution and selling expenses		(5,200)	(4,868)
Administrative expenses		(22,294)	(24,281)
Gain (loss) arising on fair value changes of investment properties		59,103	(16,850)
Gain (loss) on fair value changes of investments held for trading		24,659	(42,881)
Gain (loss) on fair value changes of structured deposit		1,047	(461)
Gain on disposal of available-for-sale investments		—	3,803
Gain on partial disposal of interests in associates	4	—	1,021
Impairment loss on available-for-sale investments		—	(22,699)
Share of results of associates		(5,061)	(4,883)

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>NOTES</i>	<b>2009</b>	<b>2008</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit (loss) before taxation	5	<b>101,815</b>	(57,443)
Taxation (charge) credit	6	<b>(16,221)</b>	8,157
Profit (loss) for the period attributable to owners of the Company		<b>85,594</b>	(49,286)
Other comprehensive income (expense)			
Change in fair value of available-for-sale investments		<b>30,771</b>	(22,922)
Exchange difference arising on translation of foreign operations		—	1
Share of translation reserve of associates		—	1,109
Reclassification adjustment relating to disposal of available-for-sale investments		—	(3,803)
Reclassification adjustment relating to impairment loss on available-for-sale investments		—	22,699
Other comprehensive income (expense) for the period attributable to owners of the Company		<b>30,771</b>	(2,916)
Total comprehensive income (expense) for the period attributable to owners of the Company		<b>116,365</b>	(52,202)
Basic earnings (loss) per share	7	<b>HK cents 10.8</b>	HK cents (6.2)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2009 <i>HK\$'000</i> <i>(Unaudited)</i>	31 March 2009 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		14,976	15,489
Properties held for development		108,231	99,000
Investment properties		552,251	544,920
Intangible asset		921	921
Interests in associates		107,975	113,036
Available-for-sale investments		64,662	33,891
		849,016	807,257
Current assets			
Properties held for development		191,678	181,204
Investments held for trading		71,066	93,420
Inventories		1,155	3,490
Trade and other receivables	8	27,300	44,060
Loans receivable		77,110	86,068
Bills receivable	9	37,919	39,180
Tax recoverable		31	31
Structured deposit		—	24,045
Bank balances and cash		301,309	165,147
		707,568	636,645
Asset classified as held for sale		51,824	—
		759,392	636,645
Current liabilities			
Trade and other payables	10	58,693	28,692
Bills payable	9	11,633	9,683
Tax payable		26,676	25,657
		97,002	64,032
Net current assets		662,390	572,613
		1,511,406	1,379,870
Capital and reserves			
Share capital		7,942	7,942
Reserves		1,473,607	1,357,242
		1,481,549	1,365,184
Non-current liabilities			
Deferred taxation		29,857	14,686
		1,511,406	1,379,870
		1,511,406	1,379,870

## NOTES

### 1. GENERAL AND BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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 “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2009 except for the accounting policy of non-current assets held for sale as stated below.

#### **Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2009.

#### **HKAS 1 (Revised) “Presentation of Financial Statements”**

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

## HKFRS 8 “Operating Segments”

HKFRS 8 is a disclosure standard and has not resulted in a redesignation of the Group’s reportable segment (see note 3).

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related party disclosures <sup>3</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of rights issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>5</sup>
HKFRS 3 (Revised)	Business combinations <sup>1</sup>
HKFRS 9	Financial instruments <sup>6</sup>
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations may have impact on the results and financial position of the Group but the directors of the Company are still assessing the impact.

### 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”), in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. The Group’s primary reporting format was business segments and is currently organised into five main operating divisions - (i) garment sourcing and exporting, (ii) property investments, (iii) property development, (iv) investment in securities and (v) loan financing. The directors of the Company consider that the adoption of HKFRS 8 has not resulted in a redesignation of the reportable segments for the Group compared with the primary reportable segments disclosed in the annual financial statements for the year ended 31 March 2009.

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

#### For the six months ended 30 September 2009

	Garment sourcing and exporting	Property investments	Property development	Investment in securities	Loan financing	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover							
External	226,638	14,897	—	—	—	—	241,535
Inter-segment	—	1,509	—	—	—	(1,509)	—
	<u>226,638</u>	<u>16,406</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,509)</u>	<u>241,535</u>
Result							
Segment result	<u>6,630</u>	<u>73,641</u>	<u>(790)</u>	<u>28,193</u>	<u>2,542</u>	<u>(1,167)</u>	109,049
Unallocated corporate income							1,137
Unallocated corporate expenses							(3,310)
Share of results of associates							(5,061)
Profit before taxation							101,815
Taxation charge							(16,221)
Profit for the period							<u>85,594</u>

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

**For the six months ended 30 September 2008**

	Garment sourcing and exporting <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover							
External	200,927	13,772	2,188	—	—	—	216,887
Inter-segment	—	1,509	—	—	—	(1,509)	—
	<u>200,927</u>	<u>15,281</u>	<u>2,188</u>	<u>—</u>	<u>—</u>	<u>(1,509)</u>	<u>216,887</u>
Result							
Segment result	<u>6,576</u>	<u>(3,553)</u>	<u>345</u>	<u>(56,968)</u>	<u>3,288</u>	<u>(1,607)</u>	<u>(51,919)</u>
Unallocated corporate income							2,736
Unallocated corporate expenses							(4,398)
Gain on partial disposal of interests in associates							1,021
Share of results of associates							<u>(4,883)</u>
Loss before taxation							(57,443)
Taxation credit							<u>8,157</u>
Loss for the period							<u>(49,286)</u>

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

**4. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN ASSOCIATES**

During the six months ended 30 September 2008, the holder of the convertible note issued by Easyknit Enterprises Holdings Limited (“Easyknit Enterprises”), an associate of the Group, exercised his conversion right and converted the whole amount of the convertible note at its par value of HK\$37,650,000 into 784,375,000 new ordinary shares of Easyknit Enterprises at a conversion price of HK\$0.048 per conversion share. The Group’s interest in Easyknit Enterprises was diluted from approximately 35.93% to 31.70% and the gain on partial disposal of interests in associates amounting to HK\$1,021,000 (six months ended 30 September 2009: nil) was recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2008. Shares of Easyknit Enterprises are also listed on the Stock Exchange.

## 5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of land portion of properties held for development	790	—
Depreciation of property, plant and equipment	525	547
Net exchange loss (included in administrative expenses)	29	2,749
and after crediting:		
Dividend income from listed investments	3,534	5,270
Interest income	2,742	6,109
	<u>          </u>	<u>          </u>

## 6. TAXATION

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	1,050	34
Deferred taxation		
Charge (credit) for the period	15,171	(6,942)
Attributable to a change in tax rate	—	(1,249)
	<u>15,171</u>	<u>(8,191)</u>
Tax charge (credit) attributable to the Company and its subsidiaries	<u>16,221</u>	<u>(8,157)</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2008: 16.5%) of the estimated assessable profit for the period.

## 7. BASIC EARNINGS (LOSS) PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings (loss) attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	<b>85,594</b>	(49,286)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
Number of shares		
Number of shares for the purpose of calculating basic earnings (loss) per share	<b>794,204,028</b>	794,204,028

No diluted earnings (loss) per share is presented as the Company has no potential ordinary shares outstanding during both periods.

## 8. TRADE AND OTHER RECEIVABLES

	<b>30 September</b>	<b>31 March</b>
	<b>2009</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>11,999</b>	11,704
Deposits to suppliers	<b>10,044</b>	26,476
Other receivables	<b>5,257</b>	5,880
	<b>27,300</b>	44,060

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

	<b>30 September</b>	<b>31 March</b>
	<b>2009</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	<b>11,194</b>	10,411
61 - 90 days	<b>656</b>	1,245
Over 90 days	<b>149</b>	48
	<b>11,999</b>	11,704

## 9. BILLS RECEIVABLE/BILLS PAYABLE

The bills receivable and bills payable of the Group are aged within 90 days at the end of the reporting period.

## 10. TRADE AND OTHER PAYABLES

The amount at 30 September 2009 included an amount of HK\$15,547,000 representing deposit received in respect of disposal of an investment property.

The aged analysis of trade payables at the end of the reporting period is as follows:

	<b>30 September 2009 HK\$'000</b>	<b>31 March 2009 HK\$'000</b>
0 - 60 days	21,185	10,419
61 - 90 days	—	11
Over 90 days	92	4
	<u>21,277</u>	<u>10,434</u>

## INTERIM DIVIDEND

The board of directors has resolved not to declare an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the six months ended 30 September 2009, the Group recorded a turnover of approximately HK\$241,535,000, representing an increase of approximately 11.4% as compared to approximately HK\$216,887,000 for the same period last year. Gross profit slightly increased to approximately HK\$42,935,000 from approximately HK\$42,859,000 for the corresponding period last year. Gross profit margin decreased from 19.8% to 17.8%.

Profit attributable to shareholders was approximately HK\$85,594,000 as compared to loss attributable to shareholders of approximately HK\$49,286,000 for the corresponding period last year. Such profit was largely attributable to (i) the gain arising on changes in fair value of investment properties of approximately HK\$59,103,000 (six months ended 30 September 2008: loss of approximately HK\$16,850,000), (ii) the gain on fair value changes of investments held for trading of approximately HK\$24,659,000 (six months ended 30 September 2008: loss of approximately HK\$42,881,000), and (iii) no impairment loss on available-for-sale investments was recognised (six months ended 30 September 2008: loss of approximately HK\$22,699,000) during the period. Basic earnings per share was approximately HK cents 10.8 (six months ended 30 September 2008: basic loss per share was approximately HK cents 6.2).

Cost of sales increased by approximately 14.1% to approximately HK\$198,600,000, from approximately HK\$174,028,000 for the corresponding period last year. The total operating expenses decreased by approximately 5.7% to approximately HK\$27,494,000 (six months ended 30 September 2008: approximately HK\$29,149,000).

No finance cost was incurred for the six months ended 30 September 2009 as there was no bank borrowing during the period under review.

### **Business Review**

During the six months ended 30 September 2009, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, property investment and development, investment in securities and loan financing.

### **Garment Sourcing and Exporting**

During the period under review, the turnover for the Group's major business in garment sourcing and exporting reached approximately HK\$226,638,000 (six months ended 30 September 2008: approximately HK\$200,927,000), representing an increase of approximately 12.8% for the same period last year. It constituted an approximately 93.8% of the Group's total turnover (six months ended 30 September 2008: approximately 92.6%). Profit gained from this segment maintained at approximately HK\$6,630,000 (six months ended 30 September 2008: approximately HK\$6,576,000). The product mix of infants wear and ladies wear changed from 42:39 for the six months ended 30 September 2008 to 39 : 30 for the corresponding period this year.

### **Property Investment and Development**

During the period under review, the property investment and development segments contributed approximately HK\$14,897,000 or 6.2% (six months ended 30 September 2008: approximately HK\$15,960,000 or 7.4%) to the Group's total turnover. A gain of approximately HK\$72,851,000 of these segments were recorded (six months ended 30 September 2008: loss of approximately HK\$3,208,000) due to the gain arising on changes in fair value of investment properties of approximately HK\$59,103,000. Rental income from properties which are all located in Hong Kong increased approximately 8.2% to approximately HK\$14,746,000 (six months ended 30 September 2008: approximately HK\$13,626,000) As at 30 September 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 87%. The building management fee income was approximately HK\$151,000 (six months ended 30 September 2008: approximately HK\$146,000).

The Group completed the acquisition of 11 out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) ("Prince Edward Road Building") in October 2008. During the period, the Group acquired the remaining one unit of the Prince Edward Road Building at a consideration of HK\$9,500,000 and become the owner of the whole building. The Group intends to use the building for re-development purpose.

The Company has announced on 15 July 2009 that its wholly-owned subsidiary had received and accepted an offer from the Urban Renewal Authority to purchase the Group's property located at G/F, No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK\$47,113,000 plus an allowance of HK\$4,711,000. As the said disposal of property constituted a major transaction of the Company under the Listing Rules, approval of shareholders was obtained at a special general meeting of the Company held on 3 September 2009. Completion took place on 5 October 2009.

### **Geographical Analysis of Turnover**

The US continued to be the major export market and contributed 88.4% to the Group's total turnover (six months ended 30 September 2008: approximately 84.5%). Besides the US, Hong Kong and Europe contributed 6.2% and 5.4% respectively to the Group's total turnover.

### **Prospects**

#### **Garment Sourcing and Exporting**

On 8 December 2009, the Company announced the proposed disposal of its garment trading business to its associate company, Easyknit Enterprises Holdings Limited, to streamline the business. The aforesaid proposed disposal of garment trading business of the Group constitutes a very substantial disposal under the Listing Rules and is subject to shareholders' approval at a special general meeting to be convened. Upon completion of the proposed disposal, the Group will focus mainly on property investment and development business.

#### **Property Investment and Development**

The property investment market in Hong Kong revives quickly after the global economic tsunami. According to the statistics from the Land Registry, the total number of agreements for sale and purchase of all types of building units received for registration in June 2009 was 15,747, reaching a two-year high. This was a 32% growth compared with June 2008. Being the backdoor of China, Hong Kong remains attractive to property investors. Eyeing the future growth of property market in Hong Kong, the Group is confident to the re-development potential of project on hand.

In October 2009, the Group completed the purchase of all the 6 units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) through the acquisition of the entire issued share capital of Kingbest Capital Holdings Limited. The building is adjacent to the Prince Edward Road Building. The Board intends that both buildings will be redeveloped together.

On 14 October 2009, the Group entered into two separate conditional sale and purchase agreements with Ms. Lui Yuk Chu, the Vice President and executive director of the Company, to acquire three investment properties in Singapore and seven investment properties in Hong Kong at an aggregate consideration of HK\$227,470,000. The proposed acquisitions constitute a very substantial acquisition and connected transaction of the Company which are subject to shareholders' approval at a special general meeting to be convened. Details of the acquisitions were set out in the Company's circular dated 4 December 2009. The Board considers that the acquisitions enable the Group to expand its property investment portfolio and provide the Group with further potential income from property investment. The Board intends to fund the acquisition of the properties from internally generated funds.

### **Liquidity and Financial Resources**

During the six months ended 30 September 2009, the Group financed its operations mainly by internally generated resources. As the Group had no bank borrowings as at 30 September 2009 (31 March 2009: nil), no gearing ratio of the Group was presented.

The Group continued to sustain a good liquidity position. As at 30 September 2009, the Group had net current assets of approximately HK\$662,390,000 (31 March 2009: approximately HK\$572,613,000) and cash and cash equivalents of approximately HK\$301,309,000 (31 March 2009: approximately HK\$165,147,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 30 September 2009, the current ratio of the Group was approximately 7.8 (31 March 2009: approximately 9.9), which was calculated on the basis of current assets and asset classified as held for sale in aggregate of approximately HK\$759,392,000 (31 March 2009: approximately HK\$636,645,000) to current liabilities of approximately HK\$97,002,000 (31 March 2009: approximately HK\$64,032,000). During the period under review, the Group serviced its debts primarily through internally generated resources.

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

### **Exposure to Fluctuations in Exchange Rates and Related Hedges**

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

### **Capital Structure**

The Group has no debt securities or other capital instruments as at 30 September 2009 and up to the date of this announcement.

### **Material Acquisitions and Disposals**

Save as disclosed above, the Group had entered into the following material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2009.

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

### **Charges on Group Assets**

The Group did not have any charges on assets as at 30 September 2009 (31 March 2009: certain investment properties of the Group with carrying amount of approximately HK\$48,900,000 were pledged to banks to secure the banking facilities granted to the Group).

### **Capital Expenditure and Capital Commitments**

During the six months ended 30 September 2009, the Group spent approximately HK\$12,000 (six months ended 30 September 2008: approximately HK\$141,000) on acquisition of property, plant and equipment.

As at 30 September 2009, the Group had no capital commitments (31 March 2009: nil).

### **Contingent Liabilities**

As at 30 September 2009, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$11,633,000 (31 March 2009: approximately HK\$9,683,000) were supported by the Company's corporate guarantees given to the bank.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 September 2009.

## **Significant Investment**

As at 30 September 2009, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$64,662,000 (31 March 2009: approximately HK\$33,891,000) and investments held for trading of approximately HK\$71,066,000 (31 March 2009: approximately HK\$93,420,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the period under review, the Group recorded a gain of approximately HK\$24,659,000 on fair value changes of investments held for trading (six months ended 30 September 2008: loss of approximately HK\$42,881,000). No impairment loss on available-for-sale investments was recognised (six months ended 30 September 2008: HK\$22,699,000) as a result of increase in market value of certain of the Group's listed equity investments upon the recovery of the economy recently.

As announced by the Company on 24 June 2009, the Group disposed of its entire shareholding in Sino Union Petroleum & Chemical International Limited on the market comprising 11,100,000 shares on 16 June 2009, 4,250,000 shares on 22 June 2009 and 14,530,000 shares on 23 June 2009 respectively for the aggregate gross sale proceeds of HK\$26,094,900 (exclusive of transaction costs).

As announced by the Company on 3 August 2009, the Group disposed on the market of an aggregate of 734,000 China Life Insurance Company Limited H shares on 29 July 2009 at the aggregate gross sale proceeds of HK\$25,604,200.

Save as disclosed herein, the Group did not have any significant investment held or any significant investment plans as at 30 September 2009.

## **Future Plan for Material Investments**

While the directors of the Company are constantly looking for investment opportunities, no concrete new investment projects have been identified save as the proposed purchase of Hong Kong and Singapore properties disclosed in the sections of the prospects of the property investment and development business and the subsequent events.

## **Subsequent Events**

As announced by the Company on 16 October 2009, Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company had entered into two separate conditional sale and purchase agreements with Ms. Lui Yuk Chu, a director of the Company, in respect of the acquisitions of the entire issued share capital of Grow Well Profits Limited (“Grow Well”) and Supertop Investment Limited (“Supertop”). Pursuant to the sale and purchase agreement in respect of the acquisition of Grow Well (“Grow Well Agreement”), Easyknit Properties Holdings Limited conditionally agreed to acquire the entire issued share capital of Grow Well and two interest-free shareholder’s loans due by Grow Well for a consideration of HK\$123,120,000. Grow Well owns 3 investment properties in Singapore. Pursuant to the sale and purchase agreement in respect of the acquisition of Supertop (“Supertop Agreement”), Easyknit Properties Holdings Limited conditionally agreed to acquire the entire issued share capital of Supertop for a consideration of HK\$104,350,000. Supertop, through its wholly owned subsidiary, owns 7 investment properties in Hong Kong. The Grow Well Agreement and Supertop Agreement are independent of each other and are not inter-conditional. Ms. Lui Yuk Chu is the vendor of Grow Well and Supertop. The proposed acquisitions of Grow Well and Supertop constitute a very substantial acquisition and connected transaction of the Company which are subject to shareholders’ approval at a special general meeting to be convened. Details of the acquisitions of Grow Well and Supertop were set out in the Company’s circular dated 4 December 2009.

As announced on 3 December 2009, the Group had acquired 915,000 China Minsheng Banking Corp., Ltd H shares (“China Minsheng”) at a total consideration of approximately HK\$8,308,000 (exclusive of transaction costs). The Group had since then disposed of its entire 915,000 China Minsheng shares on the Stock Exchange.

As announced by the company on 8 December 2009, Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, had entered into the conditional sale and purchase agreement with Quick Easy Limited, a wholly-owned subsidiary of Easyknit Enterprises Holdings Limited, in respect of which Easyknit Properties Holdings Limited conditionally agreed to sell, or procure the sale of, the entire issued share capital of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited (the “Target Companies”), all of which are wholly-owned subsidiaries of the Company which engage in the business of garment sourcing and trading business, to Quick Easy Limited for aggregate consideration of HK\$80,000,000 (the “Disposal”). Completion of the Disposal is conditional upon (i) the satisfaction of the Group with its due diligence review of the legal and financial affairs of the Target Companies; (2) approval of the sale and purchase agreement by the shareholders of the Company as required under the Listing Rules; and (3) approval of the sales and purchase agreement by the shareholders of Easyknit Enterprises Holdings Limited. Details of the Disposal were set out in the Company’s announcement dated 8 December 2009.

In the same announcement dated 8 December 2009, the Company also proposed to put forward for approval by the Company's shareholders the share consolidation in which every 10 issued and unissued Company's shares of HK\$0.01 each will be consolidated into 1 consolidated issued and unissued Company's share of HK\$0.10 each respectively.

### **Employment and Remuneration Policy**

As at 30 September 2009, the number of employees of the Group in Hong Kong and the US was about 60 and 8 respectively. Staff costs (including directors' emoluments) amounted to approximately HK\$13,327,000 for the period under review (six months ended 30 September 2008: approximately HK\$13,936,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

### **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2009.

### **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Tsui Chun Kong (Committee Chairman), Mr. Jong Koon Sang and Mr. Hon Tam Chun. The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed financial reporting matters, including review of the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2009.

### **REMUNERATION COMMITTEE**

The Company has established a Remuneration Committee with written terms of reference. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Jong Koon Sang (Committee Chairman), Mr. Tsui Chun Kong and Mr. Hon Tam Chun. The Remuneration Committee reviews and makes recommendations to the board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

## **EXECUTIVE COMMITTEE**

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

## **CORPORATE GOVERNANCE**

During the six months ended 30 September 2009, the Company complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules except for the following deviations:

### **Code provision A.2.1**

Mr. Kwong Jimmy Cheung Tim is the President and Chief Executive Officer of the Company. The office of the President is equivalent to that of the Chairman for the purpose of the Company's Bye-Laws and the Companies Act 1981 of Bermuda (as amended). The board considers that the combination of the roles of President and Chief Executive Officer will not impair the balance of power and authority between the board and the management of the Company as the board will meet regularly to consider major matters affecting the operations of the Group. The board is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently. As such, it is beneficial to the business prospects of the Group.

### **Code provision A.4.1**

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

The reasons for the above deviations are set out in the section headed "Corporate Governance Practices" in the "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31 March 2009.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct in relation to directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2009.

By order of the Board  
**Easyknit International Holdings Limited**  
**Kwong Jimmy Cheung Tim**  
*President and Chief Executive Officer*

Hong Kong, 11 December 2009

*As at the date of this announcement, the board comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive directors, Mr. Tse Wing Chiu, Ricky as non-executive director and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.*

\* *for identification only*