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 2007

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 2007 together with comparative figures. These interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

		Six months ended 30 September	
	NOTES	**2007**	**2006**
		HK$'000	**HK$'000**
		(Unaudited)	*(Unaudited)*
Turnover	3	282,563	257,628
Cost of sales		(230,025)	(209,199)
Gross profit		52,538	48,429
Other income		13,835	5,991
Distribution and selling expenses		(6,363)	(6,961)
Administrative expenses		(21,559)	(24,230)
Gain on fair value changes of investments held for trading		22,365	174
Gain arising on change in fair value of investment properties		27,848	5,600
Impairment loss on available-for-sale investments		(19,450)	(14,147)
Loss on disposal of available-for-sale investments		(6,182)	(15,134)
Share of results of associates		(4,652)	(1,640)
Finance costs	4	—	(30)
Profit (loss) before taxation	5	58,380	(1,948)
Taxation credit (charge)	6	2,107	(163)
Profit (loss) for the period attributable to equity holders of the Company		60,487	(2,111)
Basic earnings (loss) per share	7	HK cents 7.6	HK cents (1.1)

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2007

	NOTES	**30 September 2007 HK$'000** *(Unaudited)*	**31 March 2007 HK$'000** *(Audited)*
Non-current assets			
Property, plant and equipment		16,907	17,938
Properties held for re-development		—	156,283
Investment properties		541,600	606,170
Intangible asset		921	921
Interests in associates		57,001	60,590
Available-for-sale investments		98,676	84,830
Loans receivable		4,600	5,125
		719,705	931,857
Current assets			
Properties held for re-development		176,882	—
Properties held for sale		3,644	7,228
Investments held for trading		85,048	41,566
Inventories		2,284	9,866
Trade and other receivables	8	18,864	49,278
Loans receivable		7,550	43,255
Bills receivable	9	47,765	46,661
Bank balances and cash		550,108	343,353
		892,145	541,207
Current liabilities			
Trade and other payables	10	53,580	46,903
Bills payable	9	4,473	4,648
Tax payable		27,093	24,102
		85,146	75,653
Net current assets		806,999	465,554
		1,526,704	1,397,411

	NOTES	30 September 2007 HK$'000 (Unaudited)	31 March 2007 HK$'000 (Audited)
Capital and reserves			
Share capital		7,942	7,942
Reserves		1,495,643	1,361,236
		1,503,585	1,369,178
Non-current liabilities			
Deferred taxation		23,119	28,233
		1,526,704	1,397,411

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 certain properties and 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 2007.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial period beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) - INT 8	Scope of HKFRS 2[2]
HK(IFRIC) - INT 9	Reassessment of embedded derivatives[3]
HK(IFRIC) - INT 10	Interim financial reporting and impairment[4]
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions[5]

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

[2] Effective for annual periods beginning on or after 1 May 2006.

[3] Effective for annual periods beginning on or after 1 June 2006.

[4] Effective for annual periods beginning on or after 1 November 2006.

[5] Effective for annual periods beginning on or after 1 March 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

3. SEGMENT INFORMATION

Business segments

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

For the six months ended 30 September 2007

	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	264,719	13,964	3,880	—	—	—	282,563
Inter-segment	—	1,329	—	—	—	(1,329)	—
	264,719	15,293	3,880	—	—	(1,329)	282,563
Result							
Segment result	15,283	41,353	46	(1,044)	1,848	(1,516)	55,970
Unallocated corporate income							8,315
Unallocated corporate expenses							(1,253)
Share of results of associates							(4,652)
Profit before taxation							58,380
Taxation credit							2,107
Profit for the period							60,487

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

For the six months ended 30 September 2006

	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	240,695	12,780	4,153	—	—	—	257,628
Inter-segment	—	1,655	—	—	—	(1,655)	—
	240,695	14,435	4,153	—	—	(1,655)	257,628
Result							
Segment result	9,437	18,488	119	(28,388)	1,489	(1,516)	(371)
Unallocated corporate income							3,345
Unallocated corporate expenses							(3,252)
Share of results of associates							(1,640)
Finance costs							(30)
Loss before taxation							(1,948)
Taxation charge							(163)
Loss for the period							(2,111)

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

4. FINANCE COSTS

	Six months ended 30 September	
	2007	2006
	HK$'000	HK$'000
Interest on borrowings wholly repayable within five years	—	30

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 September 2007 HK$'000	Six months ended 30 September 2006 HK$'000
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	578	762
and after crediting:		
Dividend income from listed investments	2,224	719
Interest income	9,282	4,921

6. TAXATION

	Six months ended 30 September 2007 HK$'000	Six months ended 30 September 2006 HK$'000
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current period	2,991	—
Underprovision in prior periods	16	—
	3,007	—
Deferred tax (credit) charge	(5,114)	163
Tax (credit) charge attributable to the Company and its subsidiaries	(2,107)	163

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 September 2006: 17.5%) of the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax had been made in the condensed consolidated financial statements for the previous period as the estimated assessable profit for that period was wholly absorbed by tax losses brought forward.

7. BASIC EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September 2007 HK$'000	Six months ended 30 September 2006 HK$'000
Earnings (loss) for the purposes of calculating basic earnings (loss) per share	60,487	(2,111)

	Six months ended 30 September	
	2007	**2006**
Number of shares		
Number of shares/weighted average number of shares for the purposes of calculating basic earnings (loss) per share	794,204,028	192,138,497

No diluted earnings per share for the six months ended 30 September 2007 is presented as the Company has no potential ordinary shares outstanding during the period.

No diluted loss per share for the six months ended 30 September 2006 is presented as the exercise price of the Company's outstanding share options was higher than the average market price for that period.

8. TRADE AND OTHER RECEIVABLES

	30 September 2007 HK$'000	31 March 2007 HK$'000
Trade receivables	13,684	19,050
Deposits to suppliers	1,304	25,100
Other receivables	3,876	5,128
	18,864	49,278

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	30 September 2007 HK$'000	31 March 2007 HK$'000
0 - 60 days	13,228	17,919
61 - 90 days	267	533
Over 90 days	189	598
	13,684	19,050

9. BILLS RECEIVABLE/BILLS PAYABLE

The bills receivable and bills payable of the Group are aged within 90 days.

10. TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	30 September 2007 HK$'000	31 March 2007 HK$'000
0 - 60 days	23,035	28,927
61 - 90 days	17	2
Over 90 days	243	155
	23,295	29,084

INTERIM DIVIDEND

The board of directors has resolved not to declare an interim dividend for the six months ended 30 September 2007 (six months ended 30 September 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 September 2007, the Group recorded a turnover of approximately HK$282,563,000, representing an increase of approximately 9.7% as compared to approximately HK$257,628,000 for the same period last year. Gross profit was approximately HK$52,538,000, representing an increase of approximately 8.5% as compared to approximately HK$48,429,000 for the corresponding period last year. Gross profit margin dropped slightly from 18.8% to 18.6%.

Profit attributable to shareholders was approximately HK$60,487,000 as compared to loss attributable to shareholders of approximately HK$2,111,000 for the same period last year. Such remarkable increase in profit during the period under review was largely attributable to increase in other income of approximately $7,844,000, increase in gain on fair value changes of investments held for trading of approximately HK$22,191,000, reduction in loss on disposal of available-for-sale investments of approximately HK$8,952,000, as well as increase in gain arising on change in fair value of investment properties of approximately HK$22,248,000. This was partly offset by increase in impairment loss on available-for-sale investments and increase in share of loss of associates of approximately HK$5,303,000 and approximately HK$3,012,000 respectively. Basic earnings per share was approximately HK cents 7.6 (six months ended 30 September 2006: basic loss per share of approximately HK cents 1.1).

Cost of sales rose by approximately 10.0% to approximately HK$230,025,000, from approximately HK$209,199,000 for the corresponding period last year, indicating an increase in sales for the period under review. The total operating expenses dropped by 10.5% to approximately HK$27,922,000 (six months ended 30 September 2006: approximately HK$31,191,000).

For the period under review, no finance cost was recorded versus HK$30,000 for the six months ended 30 September 2006, the reason being no bank borrowings had been made by the Group.

Business Review

During the six months ended 30 September 2007, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment and development.

Garment Sourcing and Exporting

During the period under review, the turnover for the Group's major business in garment sourcing and exporting came to HK$264,719,000, constituted an approximate 10.0% increase from approximately HK$240,695,000 for the same period last year. It represented an approximate 93.7% of the Group's total turnover (six months ended 30 September 2006: approximately 93.4%). Profit gained from this segment augmented significantly by approximately 61.9% to approximately HK$15,283,000 as compared to approximately HK$9,437,000 for the same period last year, largely due to the increase in gross profit resulting from the increase in sales. Catering to the changing market needs, the product mix of infants wear and ladies wear changed from 37:47 for the six months ended 30 September 2006 to 35:46 for the parallel period this year.

Property Investment and Development

During the period under review, the property investment and development segments contributed approximately HK$17,844,000 or 6.3% (six months ended 30 September 2006: approximately HK$16,933,000 or 6.6%) to the Group's total turnover. Profit of these segments reached approximately HK$41,399,000 (six months ended 30 September 2006: HK$18,607,000) with an increase of approximately 122.5%, mainly due to the increase in gain arising on change in fair value of investment properties of approximately HK$22,248,000. Rental income from investment properties which are all located in Hong Kong, increased approximately 9.3% to approximately HK$13,818,000 (six months ended 30 September 2006: HK$12,641,000). As at 30 September 2007, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 97.2%. The building management fee income was approximately HK$146,000 (six months ended 30 September 2006: approximately HK$139,000).

In April 2007, the Group completed the acquisition of the remaining units, namely Ground Floor, No. 1A and 1st Floor, No. 1 of Victory Avenue, Kowloon, Hong Kong at a total consideration of HK$12,880,000. In addition to the 18 units acquired in July 2006, the Group currently has the ownership over the whole building for re-development.

In September 2007, the Group completed the disposal of premises situated at Ground Floor and cockloft of No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong at a consideration of HK$92,800,000. A gain of HK$18,818,000 arising on change in fair value of this property was recognised during the period under review.

The sale of residential units of Fa Yuen Plaza in Mongkok generated approximately HK$3,880,000 cash inflow to the Group during the period under review (six months ended 30 September 2006: approximately HK$4,153,000). As at 30 September 2007, approximately 96.9% of the available units were sold with the average selling price per square feet gross floor area decreased from approximately HK$3,940 for six months ended 30 September 2006 to approximately HK$3,680 for the same period this year.

As at 30 September 2007, the Group's entire portfolio amounted to approximately HK$722,126,000 (31 March 2007: approximately HK$769,681,000).

Geographical Analysis of Turnover

The United States of America (the "US") remained to be the major export market and contributed 86.3% to the Group's total turnover (six months ended 30 September 2006: approximately 86.4%). Besides the US, the Hong Kong, European and Mexican markets, contributed 6.3%, 5.2% and 2.2% respectively to the Group's total turnover.

Prospects

Garment Sourcing and Exporting

Hong Kong is renowned for its skill in sourcing of garment products, where orders are allocated to different locations according to cost, level of sophistication and availability in quotas. It remains to be one of the preferred garment sourcing and exporting centers in the world. With experiences built exactly on this area and coupled with stable orders from its well-established customer base, the Group is confident about the prospects of its business in this industry. A steady income flow of this segment is expected in the second half of the financial year ending 31 March 2008.

Looking forward, the Group will strive to further enhance its garment sourcing and exporting business by expanding its customer base and exploring other potential markets. Facing different challenges such as vigorous competition from other emerging export countries, and factors like overseas protectionism and regulatory changes in the People's Republic of China, the Group will closely monitor on the market developments, sharpen its marketing and sourcing strategies as well as adjust its product range so as to satisfy the ever changing and growing customer needs.

Property Investment and Development

The real estate market is expected to remain prosperous as blessed by positive factors like low interest rate and rising wages and employment rate. With exceptional gains from the surging equity market, an ample amount of capital is expected to divert to the real estate sector, further stimulating the property prices. Based on this continued momentum, the Group intends to play a more active role in the property market business and to expand its property portfolio so that more income will be generated from these segments of business.

The booming economy and rising visitors' arrival stimulate the retail market. Rental income from the Group's investment properties located in prime retail areas like Mongkok and Causeway Bay will be benefited. Hong Kong is also considered as one of the most preferred locations for international and mainland companies managing their operations in Asia Pacific. Seeing the soaring demand for commercial offices, capitalising the investment opportunities on the thriving office leasing market is one of the Group's long-term development strategies.

Liquidity and Financial Resources

During the six months ended 30 September 2007, the Group financed its operations mainly by internally generated resources. As the Group had no bank borrowings as at 30 September 2007 (31 March 2007: nil), no gearing ratio of the Group was presented.

The Group continued to sustain a good liquidity position. As at 30 September 2007, the Group had net current assets of approximately HK$806,999,000 (31 March 2007: approximately HK$465,554,000) and cash and cash equivalents of approximately HK$550,108,000 (31 March 2007: approximately HK$343,353,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 30 September 2007, the current ratio of the Group was approximately 10.48 (31 March 2007: approximately 7.15), which was calculated on the basis of current assets of approximately HK$892,145,000 (31 March 2007: approximately HK$541,207,000) to current liabilities of approximately HK$85,146,000 (31 March 2007: approximately HK$75,653,000). 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 2007 and up to the date of this announcement.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposal of subsidiaries or associates during the six months ended 30 September 2007.

Charges on Group Assets

As at 30 September 2007, certain investment properties of the Group with carrying amount of approximately HK$133,400,000 (31 March 2007: approximately HK$131,000,000) 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 2007, the Group spent approximately HK$123,000 (six months ended 30 September 2006: approximately HK$1,715,000) on acquisition of property, plant and equipment.

As at 31 March 2007 and 30 September 2007, the Group had no significant capital commitments.

Contingent Liabilities

As at 30 September 2007, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK$4,473,000 (31 March 2007: approximately HK$4,648,000) 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 2007.

Significant Investment

As at 30 September 2007, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK$98,676,000 (31 March 2007: approximately HK$84,830,000) and investments held for trading of approximately HK$85,048,000 (31 March 2007: approximately HK$41,566,000). 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 an increase in gain on change in fair value of investments held for trading from HK$174,000 for the six months ended 30 September 2006 to approximately HK$22,365,000 for the parallel period this year. Impairment loss on available-for-sale investments went up to approximately HK$19,450,000 (six months ended 30 September 2006: HK$14,147,000). Loss on disposal of available-for-sale investments dropped from HK$15,134,000 for the six months ended 30 September 2006 to approximately HK$6,182,000 for the same period this year.

Save as disclosed above and the completion of acquisition of the whole building at Victory Avenue for redevelopment as mentioned in the section of "Business Review" above, the Group did not have any significant investment held or any significant investment plans as at 30 September 2007.

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.

Post Balance Sheet Events

As announced by the Company on 10 October 2007, the Group had during the period from 13 July 2007 to 8 October 2007 acquired from the market an aggregate of 572,000 shares in China Mobile Limited, which were classified as investments held for trading, for a total consideration of HK$67,514,700, of which 372,000 shares in China Mobile Limited were acquired during the period from 1 October 2007 to 8 October 2007 for a total consideration of HK$49,272,200. In addition, on 8 October 2007 the Group acquired 212,000 shares in Hong Kong Exchanges and Clearing Limited, which were classified as available-for-sale investments, for a total consideration of HK$53,746,000.

As announced by the Company on 31 October 2007, the Group planned to bid up to HK$1,200,000,000, being the maximum price which the Company was willing to consider to pay, at a public auction to be held on 30 November 2007 for a property, Tai Sang Commercial Building at Nos. 24-34 Hennessy Road, Wan Chai, Hong Kong, by the order of the court on an "as-is" basis (the "Possible Acquisition"). Details of the Possible Acquisition are set out in the circular of the Company dated 15 November 2007. The Possible Acquisition was approved by the shareholders at the special general meeting held on 30 November 2007. However, the bid was not successful.

As announced by the Company on 14 November 2007, the Group had on 9 November 2007 disposed of through the market certain investments held for trading comprising 1,000,000 shares in Petrochina Company Limited for gross sale proceeds of HK$15,960,000. The gain on fair value charge of investments held for trading from 1 October 2007 to the date of disposal amounted to HK$1,240,000.

The Company included in note 39 (c) of the Group's annual financial statements for the year ended 31 March 2007, details of, among others, a possible merger of Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), the Group's associate, and Wits Basin Precious Minerals Inc. ("Wits Basin") which involves a possible issue of approximately 3 billion shares by Easyknit Enterprises to the shareholders of Wits Basin which may lead to a dilution of the Company's shareholding in Easyknit Enterprises from approximately 35.93% to approximately 19.40%. Wits Basin is a company incorporated in Minnesota, the United States of America (the "US") whose principal business was the exploration and development of minerals in Mexico, Colorado and South Africa.

The Company further announced on 20 August and 6 November 2007 jointly with Easyknit Enterprises that Wits Basin had sent a letter to Easyknit Enterprises purporting to terminate the merger agreements on the grounds cited or on any other grounds as disclosed in the announcements. Easyknit Enterprises did not admit any allegations made by Wits Basin or that Wits Basin was entitled to terminate the merger agreements on the grounds cited or on any other grounds. Easyknit Enterprises is taking legal advice in the US about the purported termination of the merger agreements and has instructed their lawyers in the US to claim from Wits Basin a break up fee of US$30,000,000 (approximately HK$234 million) as according to the termination clauses noted in the merger agreements. The directors of Easyknit Enterprises consider that it is premature to opine on the outcome of the dispute with Wits Basin and the break up fee claimed from Wits Basin has not been recognised by Easyknit Enterprises in its financial statements.

As announced by Easyknit Enterprises on 6 December 2007, Easyknit Enterprises proposed to raise approximately HK$102.1 million before expenses by way of rights issue of 1,963,537,620 rights shares at a price of HK$0.052 per rights share. As at the date of this announcement, the Company, through Landmark Profits Limited ("Landmark Profits"), a wholly-owned subsidiary of the Company, is interested in 1,410,852,520 shares of Easyknit Enterprises, representing approximately 35.93% of the total issued share capital of Easyknit Enterprises. Landmark Profits has irrevocably undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among others, the rights shares to be allotted will be taken up in full, representing 705,426,260 rights shares. Landmark Profits will not apply for any excess rights shares.

Employment and Remuneration Policy

As at 30 September 2007, the number of employees of the Group in Hong Kong and the US was about 60 and 10 respectively. Staff costs (including directors' emoluments) amounted to approximately HK$14,465,000 for the period under review (six months ended 30 September 2006: approximately HK$13,054,000). 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 2007.

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. Wong Sui Wah, Michael (Committee Chairman), Mr. Tsui Chun Kong and Mr. Jong Koon Sang. The Audit Committee has reviewed with the management and the Company's auditors 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 2007.

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. Tsui Chun Kong (Committee Chairman), Mr. Wong Sui Wah, Michael and Mr. Jong Koon Sang. The Remuneration Committee reviews and makes recommendations to the board on the Company's policy and structure for all remuneration of directors 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. Tse Wing Chiu, Ricky (Committee Chairman), Ms. Lui Yuk Chu and Mr. Kwong Jimmy Cheung Tim. 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 2007, 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. Tse Wing Chiu, Ricky 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.

Code provisions B.1.3(a) and (b)

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the Code provision B.1.3 except that the Remuneration Committee should make recommendations to the board on the Company's policy and structure for all remuneration of "directors" only (as opposed to "directors and senior management" under the Code provision B.1.3(a)); and should "review" (as opposed to "determine" under the Code provision B.1.3(b)) and make recommendations to the board on the remuneration packages of "executive directors" only (as opposed to "executive directors and senior management" under the Code provision B.1.3(b)).

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 2007.

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 2007.

By order of the Board
Easyknit International Holdings Limited
Tse Wing Chiu, Ricky
President and Chief Executive Officer

Hong Kong, 12 December 2007

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

* *for identification only*