



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永 義 國 際 集 團 有 限 公 司

(Stock Code 股份代號: 1218)

2007

Interim Report

中期業績報告

The board of directors of Easyknit International Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2007 together with comparative figures. These interim financial statements have been reviewed by the Company's audit committee.

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

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>NOTES</i>	<b>2007</b>	2006
		<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Turnover	3	<b>282,563</b>	257,628
Cost of sales		<b>(230,025)</b>	(209,199)
Gross profit		<b>52,538</b>	48,429
Other income		<b>13,835</b>	5,991
Distribution and selling expenses		<b>(6,363)</b>	(6,961)
Administrative expenses		<b>(21,559)</b>	(24,230)
Gain on fair value changes of investments held for trading		<b>22,365</b>	174
Gain arising on change in fair value of investment properties		<b>27,848</b>	5,600
Impairment loss on available-for- sale investments		<b>(19,450)</b>	(14,147)
Loss on disposal of available-for- sale investments		<b>(6,182)</b>	(15,134)
Share of results of associates		<b>(4,652)</b>	(1,640)
Finance costs	4	—	(30)
Profit (loss) before taxation	5	<b>58,380</b>	(1,948)
Taxation credit (charge)	6	<b>2,107</b>	(163)
Profit (loss) for the period attributable to equity holders of the Company		<b>60,487</b>	(2,111)
Basic earnings (loss) per share	7	<b>HK cents 7.6</b>	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)
<b>Non-current assets</b>			
Property, plant and equipment	9	16,907	17,938
Properties held for re-development	10	—	156,283
Investment properties	11	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
		<u>719,705</u>	<u>931,857</u>
<b>Current assets</b>			
Properties held for re-development	10	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	12	18,864	49,278
Loans receivable		7,550	43,255
Bills receivable	13	47,765	46,661
Bank balances and cash		550,108	343,353
		<u>892,145</u>	<u>541,207</u>
<b>Current liabilities</b>			
Trade and other payables	14	53,580	46,903
Bills payable	13	4,473	4,648
Tax payable		27,093	24,102
		<u>85,146</u>	<u>75,653</u>
<b>Net current assets</b>		<u>806,999</u>	<u>465,554</u>
		<u>1,526,704</u>	<u>1,397,411</u>
<b>Capital and reserves</b>			
Share capital	15	7,942	7,942
Reserves		1,495,643	1,361,236
		<u>1,503,585</u>	<u>1,369,178</u>
<b>Non-current liabilities</b>			
Deferred taxation	16	23,119	28,233
		<u>1,526,704</u>	<u>1,397,411</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

Attributable to equity holders of the Company (unaudited)

	Share capital	Share premium	Capital reserve	Translation reserve	Special reserve	Contributed surplus	Investment revaluation reserve	Property revaluation reserve	Share option reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	7,942	218,330	196,565	2,565	9,800	220,937	(28,190)	2,521	—	738,708	1,369,178
Change in fair value of available-for-sale investments	—	—	—	—	—	—	47,461	—	—	—	47,461
Exchange difference on translation of foreign operations	—	—	—	(236)	—	—	—	—	—	—	(236)
Share of translation reserve of associates	—	—	—	1,063	—	—	—	—	—	—	1,063
Net income recognised directly in equity	—	—	—	827	—	—	47,461	—	—	—	48,288
Released on disposal of available-for-sale investments	—	—	—	—	—	—	6,182	—	—	—	6,182
Impairment loss on available-for-sale investments	—	—	—	—	—	—	19,450	—	—	—	19,450
Profit for the period	—	—	—	—	—	—	—	—	—	60,487	60,487
Total recognised income and expense for the period	—	—	—	827	—	—	73,093	—	—	60,487	134,407
At 30 September 2007	7,942	218,330	196,565	3,392	9,800	220,937	44,903	2,521	—	799,195	1,503,585
At 1 April 2006	132,367	4,412	—	737	9,800	220,937	(191,630)	—	1,900	852,405	1,030,928
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(5,666)	—	—	—	(5,666)
Share of translation reserve of associates	—	—	—	796	—	—	—	—	—	—	796
Net income (expense) recognised directly in equity	—	—	—	796	—	—	(5,666)	—	—	—	(4,870)
Released on disposal of available-for-sale investments	—	—	—	—	—	—	15,134	—	—	—	15,134
Impairment loss on available-for-sale investments	—	—	—	—	—	—	14,147	—	—	—	14,147
Loss for the period	—	—	—	—	—	—	—	—	—	(2,111)	(2,111)
Total recognised income and expense for the period	—	—	—	796	—	—	23,615	—	—	(2,111)	22,300
Rights issue of shares at a price of HK\$0.12 per rights share (see note 15 (b))	66,184	13,237	—	—	—	—	—	—	—	—	79,421
Share issue expenses	—	(502)	—	—	—	—	—	—	—	—	(502)
	66,184	12,735	—	—	—	—	—	—	—	—	78,919
At 30 September 2006	198,551	17,147	—	1,533	9,800	220,937	(168,015)	—	1,900	850,294	1,132,147

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash from operating activities	<b>68,764</b>	52,492
Net cash from (used in) investing activities		
Proceeds on disposal of investment properties	<b>92,418</b>	—
Proceeds on disposal of available-for-sale investments	<b>33,615</b>	—
Acquisition of properties held for re-development	—	(155,503)
Acquisition of available-for-sale investments	—	(13,090)
Other investing activities	<b>11,958</b>	3,925
	<b>137,991</b>	(164,668)
Net cash from financing activities		
Proceeds from rights issue of shares	—	78,919
Other financing activities	—	(3,207)
	—	75,712
Net increase (decrease) in cash and cash equivalents	<b>206,755</b>	(36,464)
Cash and cash equivalents at beginning of the period	<b>343,353</b>	174,580
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>550,108</b>	138,116

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

## 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 <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) - INT 8	Scope of HKFRS 2 <sup>2</sup>
HK(IFRIC) - INT 9	Reassessment of embedded derivatives <sup>3</sup>
HK(IFRIC) - INT 10	Interim financial reporting and impairment <sup>4</sup>
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 November 2006.

<sup>5</sup> 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)	—
	<u>264,719</u>	<u>15,293</u>	<u>3,880</u>	<u>—</u>	<u>—</u>	<u>(1,329)</u>	<u>282,563</u>
Result							
Segment result	<u>15,283</u>	<u>41,353</u>	<u>46</u>	<u>(1,044)</u>	<u>1,848</u>	<u>(1,516)</u>	<u>55,970</u>
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							<u>60,487</u>

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

### 3. SEGMENT INFORMATION (Cont'd)

For the six months ended 30 September 2006

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

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	2006
	HK\$'000	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	2006
	HK\$'000	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 (note 16)	(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:

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Earnings (loss) for the purposes of calculating basic earnings (loss) per share	<u><b>60,487</b></u>	<u>(2,111)</u>
	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
<u>Number of shares</u>		
Number of shares/weighted average number of shares for the purposes of calculating basic earnings (loss) per share	<u><b>794,204,028</b></u>	<u>192,138,497</u>

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. DIVIDEND

The directors do not recommend the payment of an interim dividend for both periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$123,000 (six months ended 30 September 2006: HK\$1,715,000) on acquisition of property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$576,000 for a consideration of HK\$576,000 and no gain or loss resulted in this disposal.

## 10. PROPERTIES HELD FOR RE-DEVELOPMENT

As at 31 March 2007, due to the uncertainty on the timing of the successful acquisition of the remaining units of the building (the "Remaining Properties") for re-development purpose within the Group's normal operating cycle, properties held for re-development were not included as the Group's current assets in the condensed consolidated balance sheet.

During the six months ended 30 September 2007, the Group completed the acquisition of the Remaining Properties at a total consideration of HK\$12,880,000 and the re-development project has been commenced. Properties held for re-development at 30 September 2007 were therefore included in current assets in the condensed consolidated balance sheet as it is expected that the properties may be realised in the Group's normal operating cycle for properties re-development, which is expected to be more than twelve months after the balance sheet date.

## 11. INVESTMENT PROPERTIES

During the period, the Group disposed of an investment property with a carrying value of HK\$92,800,000 (six months ended 30 September 2006: nil).

The Group's investment properties are held for rental purposes under operating leases. They were valued by Knight Frank Petty Limited, a firm of independent professional valuers, on market value basis at 30 September 2007. The gain arising on change in fair value of the investment properties of HK\$27,848,000 has been recognised in the condensed consolidated income statement for the six months ended 30 September 2007 (six months ended 30 September 2006: HK\$5,600,000).

## 12. TRADE AND OTHER RECEIVABLES

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

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:

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

## 13. BILLS RECEIVABLE/BILLS PAYABLE

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

#### 14. TRADE AND OTHER PAYABLES

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

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

#### 15. SHARE CAPITAL

	<i>Notes</i>	<b>Nominal value per share HK\$</b>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised:				
At 1 April 2006		0.10	10,000,000,000	1,000,000
Consolidation of shares	(a)		(9,000,000,000)	—
Subdivision of shares	(a)		99,000,000,000	—
			<u>100,000,000,000</u>	<u>1,000,000</u>
At 31 March 2007, 1 April 2007 and 30 September 2007				
		0.01	<u>100,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At 1 April 2006		0.10	1,323,673,386	132,367
Rights issue of shares at a price of HK\$0.12 per rights share	(b)	0.10	661,836,693	66,184
Consolidation of shares	(a)		(1,786,959,072)	—
Subdivision of shares and reduction of share capital	(a)		—	(196,565)
Rights issue of shares at a price of HK\$0.35 per rights share	(c)	0.01	595,653,021	5,956
			<u>794,204,028</u>	<u>7,942</u>
At 31 March 2007, 1 April 2007 and 30 September 2007				
		0.01	<u>794,204,028</u>	<u>7,942</u>

## 15. SHARE CAPITAL (Cont'd)

Notes:

- (a) As announced by the Company on 30 August 2006, the Company proposed to effect (i) a share consolidation (the "Share Consolidation") pursuant to which every ten issued and unissued then existing shares of HK\$0.10 each were consolidated into one consolidated share of HK\$1.00 each ("Consolidated Share"); (ii) reduction of par value of each Consolidated Share from HK\$1.00 each to HK\$0.01 each by cancelling HK\$0.99 paid up share capital for each Consolidated Share in issue, subdivision of each unissued Consolidated Share with par value of HK\$1.00 each into 100 new shares with par value of HK\$0.01 each and transfer of credit arising therefrom with the amount of approximately HK\$196,565,000 to the capital reserve account (the "Capital Reduction", together with the Share Consolidation, collectively referred to the "Capital Reorganisation"). Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 22 September 2006. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 16 October 2006. The Capital Reorganisation became effective on 17 October 2006.
- (b) 661,836,693 rights shares of HK\$0.10 each were allotted on 24 April 2006 at a subscription price of HK\$0.12 per rights share to the shareholders of the Company in the proportion of one rights share for every two existing shares then held. The Company raised HK\$78,919,000 (net of directly attributable expenses of HK\$502,000), which was used as partial payment for acquisition of the building, including the Remaining Properties, for re-development purpose (see note 10). All shares issued rank pari passu with the then existing shares in issue in all respects.
- (c) 595,653,021 rights shares of HK\$0.01 each were allotted on 3 November 2006 at a subscription price of HK\$0.35 per rights share to the shareholders of the Company in the proportion of three rights shares for every existing share then held. The Company raised HK\$207,139,000 (net of directly attributable expenses of HK\$1,339,000), which shall be used to expand the Group's property portfolio and for general working capital purpose. All shares issued rank pari passu with the then existing shares in issue in all respects.

## 16. DEFERRED TAXATION

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

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Investment properties</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2006	390	43,883	(21,795)	22,478
Charge (credit) to the condensed consolidated income statement	<u>99</u>	<u>874</u>	<u>(810)</u>	<u>163</u>
At 30 September 2006	489	44,757	(22,605)	22,641
(Credit) charge to the condensed consolidated income statement	<u>(165)</u>	<u>940</u>	<u>4,817</u>	<u>5,592</u>
At 31 March 2007 and 1 April 2007	324	45,697	(17,788)	28,233
(Credit) charge to the condensed consolidated income statement	<u>(166)</u>	<u>(10,768)</u>	<u>5,820</u>	<u>(5,114)</u>
At 30 September 2007	<u><u>158</u></u>	<u><u>34,929</u></u>	<u><u>(11,968)</u></u>	<u><u>23,119</u></u>

For the purposes of balance sheet presentation, the above deferred tax liabilities and assets have been offset.

At 30 September 2007, the Group has unused tax losses of HK\$180,489,000 (31 March 2007: HK\$212,028,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$68,388,000 (31 March 2007: HK\$101,646,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$112,101,000 (31 March 2007: HK\$110,382,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except for losses of HK\$45,153,000 (31 March 2007: HK\$45,153,000) which will expire as follows:

	<b>30 September 2007</b> <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
Year of expiry:		
2022	<b>1,821</b>	1,821
2023	<b>2,163</b>	2,163
2024	<b>11,225</b>	11,225
2025	<b>13,272</b>	13,272
2026	<b>7,650</b>	7,650
2027	<b>9,022</b>	9,022
	<u><u><b>45,153</b></u></u>	<u><u>45,153</u></u>

## 17. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the period, the Group had the following transactions with persons deemed to be “connected persons” by the Stock Exchange, being entities controlled by certain relatives of Ms. Lui Yuk Chu, a director of the Company:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Commission income	<b>54</b>	—
Rental income	<b>315</b>	286
Purchases of garments	<b>—</b>	25,310
	<b>=====</b>	<b>=====</b>

At the balance sheet date, amounts due from these entities comprise:

	<b>30 September</b>	31 March
	<b>2007</b>	2007
	<b>HK\$'000</b>	HK\$'000
Trade and other receivables	<b>54</b>	—
	<b>=====</b>	<b>=====</b>

- (b) During the six months ended 30 September 2007, the Group provided administrative services to Easyknit Enterprises Holdings Limited (“Easyknit Enterprises”), a company in which Ms. Lui Yuk Chu, a director of the Company, has beneficial interests, and received service income of HK\$120,000 from Easyknit Enterprises (six months ended 30 September 2006: HK\$120,000). Easyknit Enterprises is an associate of the Group, whose shares are also listed on the Stock Exchange.

In addition, the Group also disposed of a motor vehicle amounting to HK\$576,000 (six months ended 30 September 2006: nil) to a subsidiary of Easyknit Enterprises.

- (c) Compensation of key management personnel

The remuneration of directors and other members of key management during the period amounted to HK\$2,784,000 (six months ended 30 September 2006: HK\$2,199,000).

## 18. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30 September 2007:

- (a) 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\$53,746,400.

## 18. POST BALANCE SHEET EVENTS (Cont'd)

- (b) 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.
- (c) 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 change of the investments held for trading from 1 October 2007 to the date of disposal amounted to HK\$1,240,000.
- (d) As announced by Easyknit Enterprises, the Group's associate, 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. The Group has irrevocably undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among others, the rights shares to be allotted to the Group will be taken up in full. The subscription cost will be amounted to approximately HK\$36.7 million based on the Group's shareholding in Easyknit Enterprises as at the date of this report. The Group will not apply for any excess rights shares.
- (e) 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, 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 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.



## **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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Cont'd)*

### **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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Cont'd)*

### **Property Investment and Development** *(Cont'd)*

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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Cont'd)

### **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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Cont'd)*

### **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 report.

### **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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Cont'd)

### **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.

### **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.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2007, the interests and short positions of the directors and chief executives of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### A. Interests in the Company

Name of director	Capacity	Number of issued ordinary shares held (long position)	Approximate percentage to issued ordinary shares of the Company
Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	291,794,804	36.74%

*Note:* These shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).

### B. Interests in associated corporations

#### 1. Easyknit Enterprises Holdings Limited ("Easyknit Enterprises")

Name of director	Capacity	Number of ordinary shares held (long position)	Approximate percentage to issued ordinary shares of Easyknit Enterprises
Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	1,410,852,520	35.93%

*Note:* These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).

## DIRECTORS' INTERESTS IN SECURITIES (Cont'd)

### B. Interests in associated corporations (Cont'd)

#### 2. Wellmake Investments Limited ("Wellmake") (Note a)

Name of director	Capacity	Number of non-voting deferred shares held (long position)	Percentage to issued non-voting deferred shares of Wellmake
Lui Yuk Chu	(Note b)	2	100%

Notes:

- (a) All the issued ordinary shares in the share capital of Wellmake which carry voting rights were held by the Company.
- (b) One non-voting deferred share was held by Ms. Lui Yuk Chu as beneficial owner and the other one was held by her spouse, Mr. Koon Wing Yee.

Save as disclosed above, as at 30 September 2007, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2007 was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

## SHARE OPTION SCHEME

On 18 February 2002, a share option scheme (the "Scheme") was approved by the shareholders of the Company pursuant to the requirements of Chapter 17 of the Listing Rules. No share options were granted, exercised or cancelled under the Scheme during the period.



## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, the persons (other than the directors or chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held (long position)</b>	<b>Approximate percentage to issued ordinary shares of the Company</b>
Koon Wing Yee ( <i>Note a</i> )	Interest of spouse	291,794,804	36.74%
Magical Profits Limited ( <i>Notes a &amp; b</i> )	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited ( <i>Notes a &amp; b</i> )	Interest of controlled corporation	291,794,804	36.74%
Hang Seng Bank Trustee International Limited ( <i>Notes a &amp; c</i> )	Trustee	291,794,804	36.74%
Hang Seng Bank Limited ( <i>Note c</i> )	Interest of controlled corporation	291,794,804	36.74%
The Hongkong and Shanghai Banking Corporation Limited ( <i>Notes c &amp; d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings BV ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings (UK) ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings BV ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Finance (Netherlands) ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings plc ( <i>Note d</i> )	Interest of controlled corporation	291,794,809	36.74%

## **SUBSTANTIAL SHAREHOLDERS** (Cont'd)

Notes:

- (a) The 291,794,804 shares relate to the same block of shares. These shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was a wholly-owned subsidiary of Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu was deemed to be interested in the 291,794,804 shares by virtue of the SFO.
- (b) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Magical Profits Limited and Accumulate More Profits Limited.
- (c) Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited was owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited.
- (d) The 291,794,809 shares relate to the same block of shares. Out of the 291,794,809 shares, 291,794,804 shares were registered in the name of and were beneficially owned by Magical Profits Limited. The remaining 5 shares were held by HSBC Broking Securities (Asia) Limited, which was a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn was wholly-owned by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at 30 September 2007, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

## **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 of  
**Easyknit International Holdings Limited**  
**Tse Wing Chiu, Ricky**  
*President and Chief Executive Officer*

Hong Kong, 12 December 2007

*As at the date of this report, the board of the Company 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.*