



**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2007**

The board of directors (the “Board”) of Easyknit International Holdings Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2007, together with comparative figures for the previous financial year as follows:

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2007**

	<i>NOTES</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	3	<b>557,737</b>	489,715
Cost of sales		<b>(454,276)</b>	<u>(400,355)</u>
Gross profit		<b>103,461</b>	89,360
Other income		<b>14,722</b>	9,386
Distribution costs		<b>(14,526)</b>	(12,689)
Administrative expenses		<b>(50,868)</b>	(49,459)
Gain arising on change in fair value of investment properties		<b>7,370</b>	189,730
Gain on fair value changes of investments held for trading		<b>1,199</b>	12
Impairment loss on available-for-sale investments	5	<b>(121,465)</b>	—
Impairment loss on loans receivable		<b>(2,160)</b>	—
Impairment loss on trade and other receivables	6	<b>(20)</b>	(33,513)
Loss on disposal of available-for-sale investments		<b>(43,027)</b>	—
Loss on disposal of investment properties		—	(1,136)
Share of results of associates		<b>(4,125)</b>	(4,548)
Finance costs	7	<b>(31)</b>	<u>(4,609)</u>
(Loss) profit before taxation	8	<b>(109,470)</b>	182,534
Taxation	9	<b>(6,127)</b>	<u>(9,683)</u>
(Loss) profit for the year attributable to equity holders of the Company		<b><u>(115,597)</u></b>	<u>172,851</u>
Basic (loss) earnings per share	11	<b><u>HK\$(0.260)</u></b>	<u>HK\$1.237</u>

**CONSOLIDATED BALANCE SHEET**  
**AT 31 MARCH 2007**

	<i>NOTES</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>17,938</b>	24,190
Properties held for re-development		<b>156,283</b>	—
Investment properties		<b>606,170</b>	589,700
Intangible asset		<b>921</b>	921
Interests in associates		<b>60,590</b>	62,887
Available-for-sale investments		<b>84,830</b>	93,987
Loans receivable		<b>5,125</b>	—
		<b><u>931,857</u></b>	<b><u>771,685</u></b>
<b>Current assets</b>			
Properties held for sale		<b>7,228</b>	14,426
Investments held for trading		<b>41,566</b>	3,600
Inventories		<b>9,866</b>	7,766
Trade and other receivables	12	<b>49,278</b>	72,226
Loans receivable		<b>43,255</b>	66,053
Bills receivable	13	<b>46,661</b>	17,220
Tax recoverable		<b>—</b>	301
Bank balances and cash		<b>343,353</b>	174,580
		<b><u>541,207</u></b>	<b><u>356,172</u></b>
<b>Current liabilities</b>			
Trade and other payables	14	<b>46,903</b>	41,754
Bills payable	15	<b>4,648</b>	4,514
Tax payable		<b>24,102</b>	24,364
Bank borrowings		<b>—</b>	3,819
		<b><u>75,653</u></b>	<b><u>74,451</u></b>
Net current assets		<b><u>465,554</u></b>	<b><u>281,721</u></b>
		<b><u>1,397,411</u></b>	<b><u>1,053,406</u></b>
<b>Capital and reserves</b>			
Share capital		<b>7,942</b>	132,367
Reserves		<b>1,361,236</b>	898,561
		<b>1,369,178</b>	1,030,928
<b>Non-current liabilities</b>			
Deferred taxation		<b>28,233</b>	22,478
		<b><u>1,397,411</u></b>	<b><u>1,053,406</u></b>

## NOTES

### 1. GENERAL AND BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

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

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKAS 23 (Revised)	Borrowing cost <sup>2</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating segments <sup>2</sup>
HK(IFRIC) - INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) - INT 9	Reassessment of embedded derivatives <sup>4</sup>
HK(IFRIC) - INT 10	Interim financial reporting and impairment <sup>5</sup>
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions <sup>6</sup>
HK(IFRIC) - INT 12	Service concession arrangements <sup>7</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 January 2009.

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

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

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2008.

### 3. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods and properties sold, net of returns, and services rendered by the Group and rental income received and receivable during the year. An analysis of the Group's turnover is as follows:

	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sales of goods	<b>523,188</b>	458,666
Rental income	<b>26,138</b>	22,432
Sales of properties	<b>8,133</b>	8,349
Building management fee income	<b>278</b>	268
	<b><u>557,737</u></b>	<u>489,715</u>

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### **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 primary segment information.

Segment information about these businesses is presented below:

Year 2007

Income statement

	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>
<b>TURNOVER</b>							
External	523,188	26,416	8,133	—	—	—	557,737
Inter-segment	<u>—</u>	<u>2,948</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,948)</u>	<u>—</u>
Total	<u>523,188</u>	<u>29,364</u>	<u>8,133</u>	<u>—</u>	<u>—</u>	<u>(2,948)</u>	<u>557,737</u>
<b>RESULT</b>							
Segment result	<u>23,037</u>	<u>33,073</u>	<u>182</u>	<u>(161,981)</u>	<u>580</u>	<u>(2,726)</u>	(107,835)
Unallocated corporate income							9,192
Unallocated corporate expenses							(6,671)
Share of results of associates							(4,125)
Finance costs							<u>(31)</u>
Loss before taxation							(109,470)
Taxation							<u>(6,127)</u>
Loss for the year							<u>(115,597)</u>

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

Year 2006

Income statement

	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	458,666	22,700	8,349	—	—	—	489,715
Inter-segment	<u>—</u>	<u>3,311</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,311)</u>	<u>—</u>
Total	<u>458,666</u>	<u>26,011</u>	<u>8,349</u>	<u>—</u>	<u>—</u>	<u>(3,311)</u>	<u>489,715</u>
RESULT							
Segment result	<u>(20,235)</u>	<u>211,785</u>	<u>699</u>	<u>95</u>	<u>4,219</u>	<u>(3,765)</u>	192,798
Unallocated corporate income							3,804
Unallocated corporate expenses							(4,911)
Share of results of associates							(4,548)
Finance costs							<u>(4,609)</u>
Profit before taxation							182,534
Taxation							<u>(9,683)</u>
Profit for the year							<u>172,851</u>

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

**Geographical segments**

An analysis of the Group's turnover by geographical market is as follows:

	Turnover	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong	<b>34,549</b>	31,049
The People's Republic of China, excluding Hong Kong (the "PRC")	<b>51</b>	—
United States of America ("USA")	<b>468,779</b>	422,552
Europe	<b>49,725</b>	27,339
Mexico	<b>4,633</b>	8,166
Canada	<u>—</u>	<u>609</u>
	<u><b>557,737</b></u>	<u>489,715</u>

## 5. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 March 2007, impairment loss on available-for-sale investments of approximately HK\$121,465,000 (2006: nil) was recognised as a result of continuous decline in market value of certain of the Group's listed equity investments.

## 6. IMPAIRMENT LOSS ON TRADE AND OTHER RECEIVABLES

During the year ended 31 March 2006, impairment loss on trade and other receivables of approximately HK\$33,513,000 (2007: HK\$20,000) was recognised of which impairment loss amounting to approximately HK\$33,315,000 (2007: nil) was recognised in respect of the deposits to a supplier paid by the Group as a result of the voluntary liquidation of such supplier.

## 7. FINANCE COSTS

	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest on:		
- bank borrowings wholly repayable within five years	<b>31</b>	4,602
- obligations under finance leases	<u>—</u>	<u>7</u>
	<b><u>31</u></b>	<u>4,609</u>

## 8. (LOSS) PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	4,014	5,695
Other staff costs, including retirement benefits costs	26,532	19,557
Share-based payments expense	<u>—</u>	<u>1,900</u>
Total staff costs	<u>30,546</u>	<u>27,152</u>
Depreciation of property, plant and equipment		
- owned assets	1,510	1,296
- assets held under finance leases	<u>—</u>	<u>18</u>
	<u>1,510</u>	<u>1,314</u>
Auditor's remuneration:		
- current year	779	689
- underprovision in prior years	85	43
Cost of inventories recognised as an expense	446,057	392,494
Cost of properties sold	7,198	7,198
Impairment loss on inventories	1,021	663
Share of tax expense of associates (included in share of results of associates)	565	—
and after crediting:		
Dividend income from listed investments	1,275	126
Gain on disposal of investments held for trading	36	83
Gain on disposal of property, plant and equipment	—	54
Interest income	<u>11,492</u>	<u>8,387</u>

## 9. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Current tax — Hong Kong Profits Tax:		
Current year	374	710
(Over)underprovision in prior years	<u>(2)</u>	<u>8</u>
	372	718
Deferred taxation	<u>5,755</u>	<u>8,965</u>
Tax charge attributable to the Company and its subsidiaries	<u>6,127</u>	<u>9,683</u>



## 10. DIVIDEND

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Final dividend paid for 2006 of nil HK cent (2005: 0.5 HK cent) per share	<u>—</u>	<u>6,618</u>

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2007.

## 11. BASIC (LOSS) EARNINGS PER SHARE

The calculations of the basic (loss) earnings per share are based on the following data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss) earnings for the purposes of calculating basic (loss) earnings per share	<u>(115,597)</u>	<u>172,851</u>

	2007	2006
<b>Number of shares</b>		
Weighted average number of shares for the purposes of calculating basic (loss) earnings per share	<u>444,167,875</u>	<u>139,702,001</u>

The denominators for the purposes of calculating basic earnings per share in 2006 have been adjusted to reflect the consolidations of shares on the basis that ten shares were consolidated into one share, the subdivision of shares on the basis that one share was subdivided into one hundred shares and the rights issue of shares during the year ended 31 March 2007.

No diluted (loss) earnings per share is presented in both years as the exercise price of the Company's outstanding share options was higher than the average market price in both years.

## 12. TRADE AND OTHER RECEIVABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables	19,050	24,299
Deposits to suppliers	25,100	42,585
Other receivables	<u>5,128</u>	<u>5,342</u>
	<u>49,278</u>	<u>72,226</u>

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

	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 - 60 days	<b>17,919</b>	22,818
61 - 90 days	<b>533</b>	1,003
Over 90 days	<b>598</b>	478
	<b><u>19,050</u></b>	<u>24,299</u>

### 13. BILLS RECEIVABLE

Bills receivable included discounted bills with recourse of HK\$3,117,000 (2007: nil) at 31 March 2006. The maturity date of the discounted bills with recourse was within three months from inception date of the discounted bills.

### 14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$29,084,000 (2006: HK\$26,163,000). The aged analysis of trade payables at the balance sheet date is as follows:

	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 - 60 days	<b>28,927</b>	26,009
61 - 90 days	<b>2</b>	2
Over 90 days	<b>155</b>	152
	<b><u>29,084</u></b>	<u>26,163</u>

### 15. BILLS PAYABLE

At the balance sheet date, the bills payable is aged within 30 days.

## **VOLUNTARY DELISTING FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

On 22 May 2006, the Company announced that the Board proposed to seek a voluntary delisting (the “Delisting”) of the Company from the Official List of The Singapore Exchange Securities Trading Limited (the “SGX-ST”) pursuant to Rule 1306 of the SGX-ST Listing Manual. A special resolution approving the Delisting was passed at the special general meeting of the Company held on 31 July 2006. The shares of the Company were removed from the Official List of the SGX-ST at the close of trading on 18 August 2006 and were delisted on the SGX-ST on 28 August 2006. After the Delisting, the shares of the Company continue to be listed and traded on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK\$557,737,000 (2006: approximately HK\$489,715,000), representing an increase of approximately 13.9% from last year. Gross profit increased approximately 15.8% to approximately HK\$103,461,000 (2006: approximately HK\$89,360,000). Gross profit margin rose slightly from approximately 18.2% to approximately 18.6%.

Loss attributable to shareholders was approximately HK\$115,597,000 as compared to profit attributable to shareholders of approximately HK\$172,851,000 last year, largely due to the loss on disposal of available-for-sale investments of approximately HK\$43,027,000 and impairment loss on available-for-sale investments of approximately HK\$121,465,000 as well as substantial reduction in gain arising on change in fair value of investment properties from approximately HK\$189,730,000 for the year ended 31 March 2006 to approximately HK\$7,370,000. Basic loss per share was approximately HK\$0.260 (2006: basic earnings per share of approximately HK\$1.237).

Cost of sales increased by approximately 13.5% to approximately HK\$454,276,000 (2006: approximately HK\$400,355,000), reflecting the increase in sales for the year under review. The total operating expenses increased by approximately 5.2% to approximately HK\$65,394,000 (2006: approximately HK\$62,148,000).

Finance costs decreased by approximately 99.3% to approximately HK\$31,000 (2006: approximately HK\$4,609,000) as all bank borrowings were repaid during the year under review.

### **Business Review**

During the year ended 31 March 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 year under review, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.8% to the Group's total turnover, representing an increase of approximately 0.1% as compared to that of last year (2006: approximately 93.7%). Turnover from this segment increased by approximately 14.1% to approximately HK\$523,188,000 (2006: approximately HK\$458,666,000). This segment recorded a profit of approximately HK\$23,037,000, a turnaround as compared to last year (2006: loss of approximately HK\$20,235,000), largely due to the impairment loss on trade and other receivables of approximately HK\$33,315,000 recorded during the year ended 31 March 2006 but no such impairment loss was recorded during the year under review. The Group continued to alter its product mix to cater for the changes in customer needs. The product mix of infant wear and ladies wear changed from 38: 46 for the year ended 31 March 2006 to 33: 50 for the year under review.

### ***Property investment and development***

On 22 July 2006, the Group acquired the entire issued share capital of a company called Happy Light Investments Limited ("Happy Light"). Through the acquisition of Happy Light, the Group has acquired 18 out of 20 units (the "Properties") in a building situated in Nos. 1 and 1A Victory Avenue and Nos. 3 and 3A Victory Avenue in Kowloon, Hong Kong (the "Building") for an aggregate consideration of approximately HK\$139,710,000. The acquisition of the Properties together with the remaining 2 units constitutes a major transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). It was approved by the shareholders of the Company at a special general meeting held on 19 July 2006. Details of this major transaction are set out in the Company's circular dated 3 July 2006.

For the year ended 31 March 2007, the property investment and development segment contributed approximately HK\$34,549,000 or 6.2% (2006: approximately HK\$31,049,000 or 6.3%) to the Group's total turnover. Profit of this segment dropped approximately 84.3% to approximately HK\$33,255,000 (2006: approximately HK\$212,484,000), principally due to substantial reduction in gain arising on change in fair value of investment properties from approximately HK\$189,730,000 for the year ended 31 March 2006 to approximately HK\$7,370,000. Rental income from investment properties, which are all located in Hong Kong increased to approximately HK\$26,138,000 (2006: approximately HK\$22,432,000). The average rental income of the Group increased by approximately 16.5% during the year under review. As at 31 March 2007, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 95.2%. The building management fee income was approximately HK\$278,000 (2006: approximately HK\$268,000).

The sale of residential units of Fa Yuen Plaza in Mongkok generated approximately HK\$8,133,000 cash inflow to the Group during the year under review (2006: approximately HK\$8,349,000). As at 31 March 2007, approximately 94.0% of the available units were sold with the average selling price per square foot gross floor area decreased from approximately HK\$4,100 for the year ended 31 March 2006 to approximately HK\$3,800 for the year ended 31 March 2007.

As at 31 March 2007, the Group's entire property portfolio stood over approximately HK\$769,681,000 (31 March 2006: approximately HK\$604,126,000).

### ***Geographical analysis of turnover***

Geographically, the United States of America (the "US") remained to be the Group's major export market, from which approximately 84.1% (2006: approximately 86.3%) of the Group's total turnover was generated.

The Hong Kong, European and Mexican markets accounted for approximately 6.2%, 8.9% and 0.8% of the Group's total turnover respectively.

### **Prospects**

#### ***Garment sourcing and exporting***

The directors are optimistic to the future development of the garment sourcing and exporting business of the Group in view of its stable customer base and customer orders.

The Group is seeking to capture greater shares of its existing markets by bolstering its customer base and sales network, and to expand its reach to other potential markets. We will continually improve our product range in order to meet the changing customer needs.

#### ***Property investment and development***

The directors are confident that the Group will benefit from the upturn of the local property market. According to the data from the Land Registry, the total number of sale and purchase agreements for all types of building units received for registration in May 2007 was 13,090, reaching a two-year high. This was an increase of approximately 40.3% compared with May 2006. An improving job market and generally buoyant stock market activity will help stimulate the local consumption sentiment and in turn boost the retail market. As a result, rental income is expected to increase, especially in prime areas such as Causeway Bay and Mongkok where some of the Group's investment properties are located. As the Building (as defined in "Business Review" above) is located at the prime commercial and residential location near Ho Man Tin and Mongkok, Kowloon, its re-development potential looks promising.

The Group will expand its property portfolio both inside and outside Hong Kong when suitable opportunities arise in order to bring a positive return to the Group and its shareholders.

### **Liquidity and Financial Resources**

During the year ended 31 March 2007, the Group financed its operations mainly by internally generated resources. As at 31 March 2007, the shareholders' fund of the Group was approximately HK\$1,369,178,000 (31 March 2006: approximately HK\$1,030,928,000). As the Group had no bank borrowings as at 31 March 2007 (31 March 2006: approximately HK\$3,819,000), no gearing ratio of the Group is presented at 31 March 2007. As at 31 March 2006, the Group's gearing ratio, which was calculated on the basis of the total borrowings to the shareholders' fund, was approximately 0.0037.

The Group continued to sustain a good liquidity position. As at 31 March 2007, the Group had net current assets of approximately HK\$465,554,000 (31 March 2006: approximately HK\$281,721,000) and cash and cash equivalents of approximately HK\$343,353,000 (31 March 2006: approximately HK\$174,580,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars. As at 31 March 2007, the current ratio of the Group was approximately 7.15 (31 March 2006: approximately 4.78), which was calculated on the basis of current assets of approximately HK\$541,207,000 (31 March 2006: approximately HK\$356,172,000) to current liabilities of approximately HK\$75,653,000 (31 March 2006: approximately HK\$74,451,000). The current ratio improved significantly, primarily as a result of the Second Rights Issue (as defined in "Capital Structure" below) which had increased the bank balances and cash. During the year 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. We 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 year under review. Hence, no financial instrument for hedging purposes was employed.

### **Capital Structure**

On 8 March 2006, the Company announced that it proposed a rights issue of not less than 661,836,693 rights shares of HK\$0.10 each at a subscription price of HK\$0.12 per rights share on the basis of one rights share for every two shares held (the "First

Rights Issue”). Upon completion of the First Rights Issue on 24 April 2006, the issued share capital of the Company was increased from HK\$132,367,338.60 to HK\$198,551,007.90 comprising 1,985,510,079 shares of HK\$0.10 each. Details of the First Rights Issue are set out in the Company’s prospectus dated 3 April 2006.

On 30 August 2006, the Company announced that it proposed, amongst others, (i) the consolidation of every 10 issued and unissued shares of HK\$0.10 each into one share of HK\$1.00 each (the “Consolidated Share”) (the “Share Consolidation”); (ii) the reduction of par value of each Consolidated Share in issue from HK\$1.00 each to HK\$0.01 each (the “Adjusted Share”) by cancelling HK\$0.99 paid up capital on each Consolidated Share in issue, the subdivision of each unissued Consolidated Share of HK\$1.00 each into 100 new unissued Adjusted Shares of HK\$0.01 each and the transfer of the credit arising from the cancellation of paid up capital of HK\$196,565,496.93 to a capital reserve account of the Company (the “Capital Reduction”); and (iii) a rights issue of not less than 595,653,021 rights shares of HK\$0.01 each at a subscription price of HK\$0.35 per rights share on the basis of three rights shares for every Adjusted Share held (the “Second Rights Issue”). Details of the Share Consolidation, the Capital Reduction and the Second Rights Issue are set out in the Company’s circular dated 22 September 2006.

Resolutions approving the Share Consolidation, the Capital Reduction and the Second Rights Issue were passed at the special general meeting of the Company held on 16 October 2006. Upon the Share Consolidation and the Capital Reduction becoming effective on 17 October 2006, the authorised share capital of the Company was HK\$1,000,000,000 divided into 100,000,000,000 shares of HK\$0.01 each, of which 198,551,007 shares of HK\$0.01 each were in issue. As a result of the Second Rights Issue, the issued share capital of the Company has been increased from HK\$1,985,510.07 to HK\$7,942,040.28 comprising 794,204,028 shares of HK\$0.01 each with effect from 3 November 2006.

The Group has no debt securities or other capital instruments as at 31 March 2007 and up to the date of this announcement.

### **Material Acquisitions and Disposals**

Apart from the acquisition of Happy Light (as defined in “Business Review” above) in July 2006 for a consideration of HK\$53,680,000, the Group had no material acquisitions or disposal of subsidiaries or associates during the year ended 31 March 2007.

### **Charges on Group Assets**

As at 31 March 2007, certain investment properties of the Group with carrying amount of approximately HK\$131,000,000 (31 March 2006: certain leasehold properties and investment properties of the Group with carrying amounts of approximately HK\$9,116,000 and approximately HK\$588,000,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group.

## **Capital Expenditure and Capital Commitments**

During the year ended 31 March 2007, the Group spent approximately HK\$1,837,000 (2006: approximately HK\$1,077,000) on acquisition of property, plant and equipment.

As at 31 March 2006 and 31 March 2007, the Group had no significant capital commitments.

## **Contingent Liabilities**

As at 31 March 2007, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$4,648,000 (31 March 2006: approximately HK\$8,333,000) 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 31 March 2007.

## **Significant Investment**

On 11 October 2006, the Company announced that on 9 October 2006, Mark Profit Development Limited, a wholly-owned subsidiary of the Company, disposed of 166,430,500 shares (the "Sale Shares") in Capital Estate Limited, the shares of which are listed on the Stock Exchange, in the market at a total consideration of HK\$18,640,000. The Group recorded impairment loss on available-for-sale investments of approximately HK\$14,147,000 and loss on disposal of available-for-sale investments of approximately HK\$566,000 from the disposal of the Sale Shares. The disposal of the Sale Shares constitutes a discloseable transaction of the Company under the Listing Rules and its details are set out in the Company's circular dated 27 October 2006.

As at 31 March 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\$84,830,000 (31 March 2006: approximately HK\$93,987,000) and investments held for trading of approximately HK\$41,566,000 (31 March 2006: approximately HK\$3,600,000). 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 year under review, the Group recorded gain on fair value changes of investments held for trading of approximately HK\$1,199,000 (2006: approximately HK\$12,000), loss on disposal of available-for-sale investments of approximately HK\$43,027,000 (2006: Nil) and impairment loss on available-for-sale investments of approximately HK\$121,465,000 (2006: Nil).

Save as disclosed above and the acquisition of the whole Building (as defined in “Business Review” above) for re-development, the Group did not have any significant investment held or any significant investment plans as at 31 March 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**

On 17 April 2007, the Group acquired the remaining 2 units of the Building (as defined in “Business Review” above) for an aggregate consideration of HK\$12,880,000. Details of this acquisition are set out in the Company’s announcement dated 17 April 2007.

Easyknit Enterprises Holdings Limited (“Enterprises”), an associate of the Company, Race Merger, Inc., a wholly-owned subsidiary of Enterprises, and Wits Basin Precious Minerals Inc. (“Wits Basin”), have entered into an agreement and plan of merger and reorganization dated 20 April 2007, as amended by an agreement supplemental thereto dated 21 May 2007 (the “Merger Agreement”). Pursuant to the Merger Agreement, Enterprises has to issue up to 3,345,286,315 shares as consideration for the merger of Race Merger, Inc. with and into Wits Basin (the “Merger”). Therefore, the Merger will lead to a dilution of the Company’s shareholding in Enterprises from approximately 35.93% to approximately 19.40%. Details of the Merger are set out in the joint announcement issued by the Company and Enterprises on 17 July 2007.

As announced by the Company on 27 June 2007, a wholly-owned subsidiary of the Company has entered into a provisional sale and purchase agreement dated 26 June 2007 with Deluxe Mind Investments Limited to dispose of the property known as Ground Floor and Cockloft, No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong (the “Property”) at a consideration of HK\$92,800,000. The disposal of the Property constitutes a discloseable transaction of the Company under the Listing Rules and its details are set out in the Company’s circular dated 18 July 2007.

## **Employment and Remuneration Policy**

As at 31 March 2007, the number of employees of the Group in Hong Kong and the US was about 60 and 13 respectively. Staff costs (including directors' emoluments) amounted to approximately HK\$30,546,000 for the year under review (2006: approximately HK\$27,152,000). 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 year ended 31 March 2007.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Company has reviewed with the management and the Company's auditor the annual results of the Group for the year ended 31 March 2007.

## **CORPORATE GOVERNANCE**

The Company complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules throughout the year ended 31 March 2007 except for the deviations as mentioned in the section "Corporate Governance" contained in the Company's interim report for the six months ended 30 September 2006.

Further information on the Company's corporate governance practices and details of the Company's deviations from certain Code provisions during the year under review will be set out in the "Corporate Governance Report" to be contained in the Company's annual report for the year ended 31 March 2007 which will be despatched to the shareholders of the Company by the end of July 2007.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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, that they complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

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

Hong Kong, 20 July 2007

As of 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*