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EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 MARCH 2009

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 2009, together with comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
Turnover	3	458,068	521,339
Cost of sales		(373,912)	(424,141)
Gross profit		84,156	97,198
Other income		18,025	24,037
Distribution and selling expenses		(9,805)	(11,747)
Administrative expenses		(49,288)	(45,460)
(Loss) gain arising on change in fair value of investment properties		(21,760)	52,928
Impairment loss on available-for-sale investments	5	(32,162)	(33,163)
Impairment loss on properties held for development	6	(25,632)	—
Gain on fair value change of structured deposit		795	—
Loss on fair value changes of investments held for trading		(60,408)	(9,690)
Gain (loss) on disposal of available-for-sale investments		3,803	(7,594)
Gain on partial disposal of interests in associates	7	1,021	—
Share of results of associates		(15,044)	(6,399)
Finance costs - interest on bank borrowings wholly repayable within five years		(91)	(10)
(Loss) profit before taxation	8	(106,390)	60,100
Taxation credit	9	5,006	4,236
(Loss) profit for the year attributable to equity holders of the Company		(101,384)	64,336
Basic (loss) earnings per share	10	HK\$(0.128)	HK\$0.081

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment		15,489	16,428
Properties held for development		99,000	—
Investment properties		544,920	566,680
Intangible asset		921	921
Interests in associates		113,036	94,438
Available-for-sale investments		33,891	79,812
Loans receivable		—	83
		<u>807,257</u>	<u>758,362</u>
Current assets			
Properties held for development		181,204	178,587
Properties held for sale		—	1,822
Investments held for trading		93,420	139,033
Inventories		3,490	2,942
Trade and other receivables	11	44,060	32,143
Loans receivable		86,068	134,000
Bills receivable	12	39,180	30,826
Tax recoverable		31	368
Structured deposit		24,045	—
Bank balances and cash		165,147	281,315
		<u>636,645</u>	<u>801,036</u>
Current liabilities			
Trade and other payables	13	28,692	40,482
Bills payable	14	9,683	3,566
Tax payable		25,657	23,978
		<u>64,032</u>	<u>68,026</u>
Net current assets		<u>572,613</u>	<u>733,010</u>
		<u><u>1,379,870</u></u>	<u><u>1,491,372</u></u>
Capital and reserves			
Share capital		7,942	7,942
Reserves		1,357,242	1,461,587
		<u>1,365,184</u>	<u>1,469,529</u>
Non-current liabilities			
Deferred taxation		14,686	21,843
		<u>1,379,870</u>	<u>1,491,372</u>

NOTES

1. GENERAL

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 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 (“HKFRSs”)

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) have applied, for the first time, the following Amendments and Interpretations (“INTs”) (collectively “new HKFRSs”) issued by the HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)* - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of financial statements ³
HKAS 23 (Revised)	Borrowing costs ³
HKAS 27 (Revised)	Consolidated and separate financial statements ⁴
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ³
HKAS 39 (Amendment)	Eligible hedged items ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ³
HKFRS 2 (Amendment)	Vesting conditions and cancellations ³
HKFRS 3 (Revised)	Business combinations ⁴
HKFRS 7 (Amendment)	Improving disclosures about financial instruments ³
HKFRS 8	Operating segments ³
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives ⁵
HK(IFRIC) - INT 13	Customer loyalty programmes ⁶
HK(IFRIC) - INT 15	Agreements for the construction of real estate ³
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation ⁷

HK(IFRIC) - INT 17	Distribution of non-cash assets to owners ⁴
HK(IFRIC) - INT 18	Transfer of assets from customers ⁸

¹ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2009.

⁴ Effective for annual periods beginning on or after 1 July 2009.

⁵ Effective for annual periods ending on or after 30 June 2009.

⁶ Effective for annual periods beginning on or after 1 July 2008.

⁷ Effective for annual periods beginning on or after 1 October 2008.

⁸ Effective for transfers on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of returns and properties sold 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:

	2009	2008
	HK\$'000	HK\$'000
Sales of goods	427,428	487,806
Rental income	28,166	27,164
Sales of properties	2,188	6,080
Building management fee income	286	289
	458,068	521,339

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 2009

Income statement

	Garment sourcing and exporting HK\$'000	Property investments HK\$'000	Property development HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER							
External	427,428	28,452	2,188	—	—	—	458,068
Inter-segment	—	3,018	—	—	—	(3,018)	—
Total	<u>427,428</u>	<u>31,470</u>	<u>2,188</u>	<u>—</u>	<u>—</u>	<u>(3,018)</u>	<u>458,068</u>
RESULT							
Segment result	<u>11,788</u>	<u>5,393</u>	<u>(26,185)</u>	<u>(83,176)</u>	<u>7,530</u>	<u>(3,506)</u>	(88,156)
Unallocated corporate income							4,312
Unallocated corporate expenses							(8,432)
Share of results of associates							(15,044)
Gain on partial disposal of interests in associates							1,021
Finance costs							(91)
Loss before taxation							(106,390)
Taxation credit							5,006
Loss for the year							<u>(101,384)</u>

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

Year 2008

Income statement

	Garment sourcing and exporting HK\$'000	Property investments HK\$'000	Property development HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER							
External	487,806	27,453	6,080	—	—	—	521,339
Inter-segment	—	2,659	—	—	—	(2,659)	—
Total	<u>487,806</u>	<u>30,112</u>	<u>6,080</u>	<u>—</u>	<u>—</u>	<u>(2,659)</u>	<u>521,339</u>
RESULT							
Segment result	<u>24,133</u>	<u>79,175</u>	<u>400</u>	<u>(47,944)</u>	<u>3,217</u>	<u>(2,581)</u>	56,400
Unallocated corporate income							14,679
Unallocated corporate expenses							(4,570)
Share of results of associates							(6,399)
Finance costs							(10)
Profit before taxation							60,100
Taxation credit							4,236
Profit for the year							<u>64,336</u>

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

5. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 March 2009, impairment loss on available-for-sale investments of HK\$32,162,000 (2008: HK\$33,163,000) was recognised as a result of significant or prolonged decline in fair value of certain of the Group's listed equity investments below their costs.

6. IMPAIRMENT LOSS ON PROPERTIES HELD FOR DEVELOPMENT

During the year ended 31 March 2009, the Group undertook a review of its development projects to assess their recoverable amounts with reference to valuations made by independent qualified professional property valuers as at 31 March 2009 by using the bare site valuation method. The impairment review was performed by the management at 31 March 2009 after considering the impact of the property market conditions since the financial crisis occurred in October 2008. An impairment loss of HK\$25,632,000 (2008: nil) was recognised as a result of the decline in market value of the properties held for development during the year ended 31 March 2009.

7. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN ASSOCIATES

During the year ended 31 March 2009, the holder of the convertible note issued by Easyknit Enterprises Holdings Limited (“Easyknit Enterprises”), an associate of the Group, exercised his conversion right and converted the whole amount of the convertible note at its par value of HK\$37,650,000 into 784,375,000 new ordinary shares of Easyknit Enterprises at a conversion price of HK\$0.048 per conversion share. The Group’s interest in Easyknit Enterprises was diluted from approximately 35.93% to 31.70% and the gain on partial disposal of interests in associates amounting to HK\$1,021,000 (2008: nil) was recognised during the year ended 31 March 2009.

8. (LOSS) PROFIT BEFORE TAXATION

	2009 HK\$'000	2008 HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors’ remuneration	4,148	4,602
Other staff costs, including retirement benefits costs	23,762	24,596
Total staff costs	<u>27,910</u>	<u>29,198</u>
Depreciation of property, plant and equipment	1,086	1,140
Amortisation of land portion of properties held for development	899	—
Auditor’s remuneration:		
- current year	1,019	868
- underprovision in prior years	279	145
Cost of inventories recognised as an expense	372,090	418,735
Cost of properties sold	1,822	5,406
Exchange loss, net	4,679	—
and after crediting:		
Dividend income from listed investments	5,591	2,503
Interest income	11,211	17,484
Reversal of impairment loss on trade and other receivables	—	12
	<u> </u>	<u> </u>

9. TAXATION CREDIT

	2009	2008
	HK\$'000	HK\$'000
The credit comprises:		
Current tax - Hong Kong Profits Tax:		
Current year	2,208	2,132
(Over)underprovision in prior years	(57)	22
	<u>2,151</u>	<u>2,154</u>
Deferred taxation		
Credit for the year	(5,908)	(6,390)
Attributable to change in tax rate	(1,249)	—
	<u>(7,157)</u>	<u>(6,390)</u>
Tax credit attributable to the Company and its subsidiaries	<u>(5,006)</u>	<u>(4,236)</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current tax for the year ended 31 March 2009 and the deferred tax balances have also been adjusted to reflect the change in tax rate.

Hong Kong Profits Tax was provided at 16.5% (2008: 17.5%) on the estimated assessable profit for the year.

10. BASIC (LOSS) EARNINGS PER SHARE

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

	2009	2008
	HK\$'000	HK\$'000
(Loss) earnings for the purposes of calculating basic (loss) earnings per share	<u>(101,384)</u>	<u>64,336</u>
	2009	2008
Number of shares		
Number of shares for the purposes of calculating basic (loss) earnings per share	<u>794,204,028</u>	<u>794,204,028</u>

No diluted (loss) earnings per share is presented as there is no potential ordinary shares of the Company outstanding during both years. In addition, there is no dilutive effect on the Company's diluted (loss) earnings per share in relation to the outstanding convertible note in issue during both years by Easyknit Enterprises, an associate of the Group.

11. TRADE AND OTHER RECEIVABLES

	2009 HK\$'000	2008 HK\$'000
Trade receivables	11,704	16,480
Less: Allowance for doubtful debts	—	(790)
	<u>11,704</u>	<u>15,690</u>
Deposits to suppliers	26,476	13,034
Other receivables	5,880	3,419
	<u>44,060</u>	<u>32,143</u>

The Group allows credit period of up to 90 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date is as follows:

	2009 HK\$'000	2008 HK\$'000
0 - 60 days	10,411	15,404
61 - 90 days	1,245	224
Over 90 days	48	62
	<u>11,704</u>	<u>15,690</u>

12. BILLS RECEIVABLE

At the balance sheet date, the bills receivable are aged within 90 days (2008: 90 days).

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$10,434,000 (2008: HK\$23,704,000). The aged analysis of trade payables at the balance sheet date is as follows:

	2009 HK\$'000	2008 HK\$'000
0 - 60 days	10,419	23,687
61 - 90 days	11	12
Over 90 days	4	5
	<u>10,434</u>	<u>23,704</u>

14. BILLS PAYABLE

At the balance sheet date, the bills payable are aged within 30 days (2008: 30 days).

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 March 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31 March 2009, the Group recorded a turnover of approximately HK\$458,068,000 (2008: approximately HK\$521,339,000), representing a decrease of approximately 12.1% from last year. Gross profit decreased approximately 13.4% to approximately HK\$84,156,000 (2008: approximately HK\$97,198,000). Gross profit margin slightly decrease at approximately 18.4% (2008: approximately 18.6%).

Loss attributable to shareholders was approximately HK\$101,384,000 as compared to profit attributable to shareholders of approximately HK\$64,336,000 last year. Such loss was mainly attributable to (i) a decrease in sales of the garment sourcing and exporting business due to the slowdown in the economy of the United States, the major market of the Group; (ii) the loss arising on change in fair value of investment properties of approximately HK\$21,760,000 and the impairment loss on property held for development of approximately HK\$25,632,000; (iii) the loss due to the fair value change of investments held for trading of approximately HK\$60,408,000; and (iv) the increase in share of loss of associate. Basic loss per share was approximately HK\$0.128 (2008: basic earnings per share of approximately HK\$0.081).

Cost of sales decreased by approximately 11.8% to approximately HK\$373,912,000 (2008: approximately HK\$424,141,000). The total operating expenses slightly increased by approximately 3.3% to approximately HK\$59,093,000 (2008: approximately HK\$57,207,000).

Finance costs increased to approximately HK\$91,000 (2008: approximately HK\$10,000) during the year under review.

Business Review

During the year ended 31 March 2009, 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 93.3% to the Group's total turnover, representing a drop of approximately 0.3% as compared to that of last year (2008: approximately 93.6%). Turnover from this segment decreased by approximately 12.4% to approximately HK\$427,428,000 (2008: approximately HK\$487,806,000). This segment recorded a profit of approximately HK\$11,788,000, a decrease of approximately 51.2% from last year's profit of approximately HK\$24,133,000. The product mix of infant wear and ladies wear changed from 35 : 45 for the year ended 31 March 2008 to 37 : 43 for the year under review.

Property investment and development

For the year ended 31 March 2009, the property investment and development segments contributed approximately HK\$30,640,000 or 6.7% (2008: approximately HK\$33,533,000 or 6.4%) to the Group's total turnover. These segments suffered a loss of approximately HK\$20,792,000 (2008: profit of approximately HK\$79,575,000) principally due to loss arising on change in fair value of investment properties of approximately HK\$21,760,000 (2008: gain of approximately HK\$52,928,000) and impairment loss made on properties held for development of approximately HK\$25,632,000 (2008: nil). Rental income from investment properties, which are all located in Hong Kong, increased slightly to approximately HK\$28,166,000 (2008: approximately HK\$27,164,000). As at 31 March 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 89.6%. The building management fee income was approximately HK\$286,000 (2008: approximately HK\$289,000).

The Group completed the acquisition of 11 out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) ("Prince Edward Road Building") in October 2008. The Group also entered into a sale and purchase agreement to purchase the remaining one unit of the Prince Edward Road Building on 30 June 2009 so as to be the owner of the whole building for re-development purpose. Details are set out in the sections headed "Material Acquisitions and Disposals" and "Subsequent Events" respectively. These acquisitions enable the Group to expand its property investment portfolio and provide the Group with further potential income from property development.

As at 31 March 2009, the Group's entire property portfolio stood over approximately HK\$825,124,000 (as at 31 March 2008: approximately HK\$747,089,000).

Geographical analysis of turnover

Approximately 83.0% (2008: approximately 83.6%) of the Group's total turnover was generated out of the United States of America (the "US") which is the Group's major export market, while Hong Kong, European and Mexican markets accounted for approximately 6.8%, 7.5% and 2.7% of the Group's total turnover respectively.

Prospects

Garment sourcing and exporting

The economic slowdown caused the garment industries in the US and Europe to shrink drastically. The Group anticipates that the garment sourcing and export industry will continue to face stern challenges as the business environment is still shadowed by various uncertainties.

Recognising the challenges ahead in the garment sourcing and export industry, the Group maintains a cautious yet hopeful view towards the future development of the industry. The Group will concentrate its efforts on maintaining good customer relationship with existing clients, sharpening its competitive edges, as well as exploring other possible overseas markets in the hope of broadening the Group's sales network for the Group in the coming year. More stringent cost-control measures and flexible pricing strategy will also be implemented to maximise profit for the Group.

Property investment and development

The local property market seemed to improve in the previous months. Looking ahead, the Group believes that the local property will be undergoing a period of modulation and consolidation, and the directors of the Company hold a watchfully positive attitude towards the property market.

Although the demand for offices in Hong Kong has plunged after the global financial crisis, other industrial and commercial properties still secure support from users and investors as retailers fight for the limited space available in prime shopping areas. The Group is vigilantly observing market sentiment for the re-development of properties in its portfolio when suitable opportunities arise. The Group will also be on the lookout for properties with high re-development potential and seek rewarding investment opportunities to strive for the greatest return to shareholders.

Liquidity and Financial Resources

During the year ended 31 March 2009, the Group financed its operations mainly by internally generated resources. As at 31 March 2009, the shareholders' fund of the Group was approximately HK\$1,365,184,000 (31 March 2008: approximately HK\$1,469,529,000). As the Group had no bank borrowings as at 31 March 2009 and 2008, gearing ratio of the Group is zero for two consecutive years.

The Group continued to sustain a good liquidity position. As at 31 March 2009, the Group had net current assets of approximately HK\$572,613,000 (31 March 2008: approximately HK\$733,010,000), and cash and cash equivalents of approximately HK\$165,147,000 (31 March 2008: approximately HK\$281,315,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars. As at 31 March 2009, the current ratio of the Group was approximately 9.9 (31 March 2008: approximately 11.8), which was calculated on the basis of current assets of approximately HK\$636,645,000 (31 March 2008: approximately HK\$801,036,000) to current liabilities of approximately HK\$64,032,000 (31 March 2008: approximately HK\$68,026,000). During the year under review, the Group serviced its debts through internally generated resources.

The directors believe that the Group has sufficient financial resources for its operations. The Group 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

The Group has no debt securities or other capital instruments as at 31 March 2009 and up to the date of this announcement.

Material Acquisitions and Disposals

During the year under review, the Group acquired the entire issued share capital of a Company called Trump Elegant Investment Limited ("Trump Elegant"). Through the acquisition of Trump Elegant, the Group acquired 11 out of 12 units in Prince Edward Road Building for an aggregate consideration of approximately HK\$117,231,000 (including direct costs). The acquisition of the 11 out of 12 units in Prince Edward Road Building constituted a major transaction 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 25 August 2008. Details of this major transaction are set out in the Company's circular dated 8 August 2008.

As announced by the Company and Easyknit Enterprises Holdings Limited (“Easyknit Enterprises”), an associate of the Company, on 12 November 2008, Easyknit Enterprises proposed to raise approximately HK\$100 million before expenses by way of rights issue of 667,499,000 rights shares at a price of HK\$0.15 per rights share on the basis of ten rights shares for every share held. The Group had irrevocably undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among other, the right shares allotted to the Group would be taken up in full. The subscription cost amounted to approximately HK\$31.7 million based on the Group’s then shareholding in Easyknit Enterprises. The Group did not apply for any excess rights shares. The said undertaking to subscribe for the rights shares in Easyknit Enterprises was approved by the shareholders of the Company at the special general meeting held on 24 December 2008. Thus 211,627,870 rights shares of Easyknit Enterprises were allotted to the Group on 19 January 2009.

Save as disclosed above, the Group had no material acquisitions or disposal of subsidiaries or associates during the year under review.

Charges on Group Assets

As at 31 March 2009, certain investment properties of the Group with carrying amount of approximately HK\$48,900,000 (31 March 2008: certain investment properties of the Group with carrying amounts of approximately HK\$138,500,000 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 2009 the Group spent approximately HK\$147,000 (2008: approximately HK\$206,000) on acquisition of property, plant and equipment.

As at 31 March 2009 the Group had no capital commitments.

Contingent Liabilities

As at 31 March 2009, the outstanding amount of the Group’s banking facilities utilised to the extent of approximately HK\$9,683,000 (31 March 2008: approximately HK\$3,566,000) 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 2009.

Significant Investment

As at 31 March 2009, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$33,891,000 (31 March 2008 approximately HK\$79,812,000) and investments held for trading of approximately HK\$93,420,000 (31 March 2008: approximately HK\$139,033,000). 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 loss on fair value changes of investments held for trading of approximately HK\$60,408,000 (2008: loss of approximately HK\$9,690,000), gain on disposal of available-for-sale investments of approximately HK\$3,803,000 (2008: loss of approximately HK\$7,594,000) and impairment loss on available-for-sale investments of approximately HK\$32,162,000 (2008: loss of approximately HK\$33,163,000).

On 16 April 2008, the Group acquired on the Stock Exchange 12,000,000 shares of Sino Union Petroleum & Chemical International Limited (“Sinounion Petro”) at a total consideration of HK\$21,573,600 (exclusive of transaction costs).

The Group disposed on the market of 1,600,000 and 607,000 China CITIC Bank Corporation Limited H shares on 11 June 2008 and 16 June 2008 respectively at the aggregate gross sale proceeds of HK\$10,892,720 (exclusive of transaction costs). On 18 June 2008, the Group disposed of 2,298,000 Industrial and Commercial Bank of China Limited (“ICBC”) H shares on the market at the aggregate gross proceeds of HK\$12,706,880 (exclusive of transaction costs).

On 9 December 2008, the Group further disposed of 1,000,000 ICBC H shares on the market at the aggregate gross proceeds of HK\$4,310,000 (exclusive of transaction costs).

Save as disclosed above and the acquisition of Trump Elegant as mentioned in the section of “Material Acquisitions and Disposals”, the Group did not have any significant investment held or any significant investment plans as at 31 March 2009.

Future Plan for Material Investments

While the directors of the Company are constantly looking for investment opportunities in order to maximise shareholders’ value, no other concrete new investment projects have been identified save as disclosed above.

Subsequent Events

As announced by the Company on 24 June 2009, the Group disposed of its entire holdings of Sinounion Petro shares on the market comprising 11,100,000 shares on 16 June 2009, 4,250,000 shares on 22 June 2009 and 14,530,000 shares on 23 June 2009 respectively for the aggregate gross sale proceeds of HK\$26,094,900 (exclusive of transaction costs).

As announced by the Company on 3 July 2009, the Group entered into a sale and purchase agreement dated 30 June 2009 with an independent third party to acquire the remaining one unit being Flat 3 on the Ground Floor of the Prince Edward Road Building at a consideration of HK\$9,500,000. Upon completion of the acquisition, the Group will be the owner of the whole Prince Edward Road Building.

The Company has announced on 15 July 2009 that its wholly-owned subsidiary had received and accepted an offer from the Urban Renewal Authority to purchase the Group's property located at No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK\$47,113,000 plus an allowance of HK\$4,711,000. As the said proposed disposal of property constitutes a major transaction of the Company under the Listing Rules, a special general meeting will be convened in due course to seek the shareholders' approval.

The Company also announced on 17 July 2009 that Easyknit Properties, a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement dated 14 July 2009 to acquire the entire issued share capital of Kingbest Capital Holdings Limited ("Kingbest") for a total consideration of HK\$2,440,000 in cash upon completion. Under the agreement, Easyknit Properties had also agreed to advance a loan to Kingbest up to an aggregate amount of HK\$7,410,000. The loan is personally guaranteed by the seller, Mr. Ng Kwai Tung. The acquisition of Kingbest will enable the Group to acquire all of the units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2928 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong). The building is adjacent to the Prince Edward Road Building which the Group had acquired from the same seller Mr. Ng Kwai Tung in June 2008. The directors intend that both buildings will be redeveloped together. This acquisition when aggregated with the acquisition of Prince Edward Building constitute a very substantial acquisition under the Listing Rules, a special general meeting of the Company will be convened in due course to seek the shareholders' approval.

Employment and Remuneration Policy

As at 31 March 2009, 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\$27,910,000 for the year under review (2008: approximately HK\$29,198,000). 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 2009.

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 2009.

CORPORATE GOVERNANCE

The Company has complied with the requirements 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 2009 except for the following deviations:

Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Kwong Jimmy Cheung Tim is the President and Chief Executive Officer of the Company. 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

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term.

The non-executive directors are not appointed for a specific term but they are subject to retirement by rotation and re-election at least once for every 3 annual general meetings pursuant the Bye-laws of the Company.

Full details of the Company's corporate governance practices 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 2009 which will be despatched to the shareholders of the Company by the end of July 2009.

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 2009.

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

Hong Kong, 20 July 2009

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

* *For identification only*