



EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永 義 國 際 集 團 有 限 公 司

(Stock Code 股份代號: 1218)

2010
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 2010 together with comparative figures. These interim financial statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended	
		30 September	
	<i>NOTES</i>	2010	2009
		HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations			
Turnover	3	17,896	14,897
Cost of services rendered		(1,086)	(559)
		<hr/>	<hr/>
Gross profit		16,810	14,338
Other income		13,029	6,221
Distribution and selling expenses		(3,622)	(4)
Administrative expenses		(8,285)	(7,325)
Gain on fair value changes of investment properties		256,434	59,103
Gain on fair value changes of investments held for trading		3,615	24,659
Gain on disposal of available-for-sale investments		4,878	—
Gain on fair value changes of structured deposit		—	1,047
Share of results of associates		5,447	(5,061)
		<hr/>	<hr/>
Profit before taxation		288,306	92,978
Taxation charge	4	(33,961)	(16,221)
		<hr/>	<hr/>
Profit for the period from continuing operations	5	254,345	76,757
Discontinued operations			
(Loss) profit for the period from discontinued operations	6	(467)	8,837
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Profit for the period, attributable to owners of the Company		253,878	85,594
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Cont'd)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended	
		30 September	
	<i>NOTE</i>	2010	2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income			
Change in fair value of available-for-sale investments		3,804	30,771
Exchange difference arising on translation of foreign operations		1,691	—
Share of translation reserve of associates		1,265	—
Reclassification adjustment relating to disposal of available-for-sale investments		(4,878)	—
		<hr/>	<hr/>
Other comprehensive income for the period, attributable to owners of the Company		1,882	30,771
		<hr/>	<hr/>
Total comprehensive income for the period, attributable to owners of the Company		255,760	116,365
		<hr/> <hr/>	<hr/> <hr/>
			(Restated)
Basic earnings per share	7		
From continuing and discontinued operations		HK\$3.20	HK\$1.08
		<hr/> <hr/>	<hr/> <hr/>
From continuing operations		HK\$3.20	HK\$0.97
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2010

	NOTES	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	2,226	2,335
Investment properties	10	1,043,588	866,372
Interests in associates	11	144,760	138,048
Available-for-sale investments		70,332	72,232
Loans receivables		—	10,000
		1,260,906	1,088,987
Current assets			
Properties held for development	12	513,233	400,605
Investments held for trading		80,411	69,942
Inventories		—	945
Trade and other receivables	13	12,804	7,938
Loans receivable		54,315	59,200
Bank balances and cash		26,732	116,555
		687,495	655,185
Asset classified as held for sale	14	88,500	—
		775,995	655,185
Current liabilities			
Trade and other payables	15	33,436	30,745
Tax payable		23,751	23,995
		57,187	54,740
Net current assets		718,808	600,445
		1,979,714	1,689,432
Capital and reserves			
Share capital	16	7,942	7,942
Reserves		1,863,100	1,607,340
		1,871,042	1,615,282
Non-current liabilities			
Deferred taxation	17	108,672	74,150
		1,979,714	1,689,432

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2010 (audited)	7,942	218,330	196,565	7,977	9,800	220,937	39,044	25,669	889,018	1,615,282
Change in fair value of available-for-sale investments	—	—	—	—	—	—	3,804	—	—	3,804
Released on disposal of available-for-sale investments	—	—	—	—	—	—	(4,878)	—	—	(4,878)
Share of translation reserve of associates	—	—	—	1,265	—	—	—	—	—	1,265
Exchange difference on translation of foreign operations	—	—	—	1,691	—	—	—	—	—	1,691
Profit for the period	—	—	—	—	—	—	—	—	253,878	253,878
Total comprehensive income (expense) for the period	—	—	—	2,956	—	—	(1,074)	—	253,878	255,760
At 30 September 2010 (unaudited)	<u>7,942</u>	<u>218,330</u>	<u>196,565</u>	<u>10,933</u>	<u>9,800</u>	<u>220,937</u>	<u>37,970</u>	<u>25,669</u>	<u>1,142,896</u>	<u>1,871,042</u>
At 1 April 2009 (audited)	7,942	218,330	196,565	7,429	9,800	220,937	—	2,521	701,660	1,365,184
Change in fair value of available-for-sale investments	—	—	—	—	—	—	30,771	—	—	30,771
Profit for the period	—	—	—	—	—	—	—	—	85,594	85,594
Total comprehensive income for the period	—	—	—	—	—	—	30,771	—	85,594	116,365
At 30 September 2009 (unaudited)	<u>7,942</u>	<u>218,330</u>	<u>196,565</u>	<u>7,429</u>	<u>9,800</u>	<u>220,937</u>	<u>30,771</u>	<u>2,521</u>	<u>787,254</u>	<u>1,481,549</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(101,561)	92,799
Net cash from investing activities		
Proceeds from disposal of available-for-sale investments	5,704	—
Deposit received in respect of disposal of an investment property	4,300	15,547
Proceeds on maturity of structured deposit	—	25,092
Other investing activities	1,732	2,724
	11,736	43,363
Net (decrease) increase in cash and cash equivalents	(89,825)	136,162
Effect of foreign exchange rate changes	2	—
Cash and cash equivalents at beginning of the period	116,555	165,147
Cash and cash equivalents at end of the period, represented by bank balances and cash	26,732	301,309

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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").

As explained in note 6, the garment sourcing and exporting businesses ceased substantially in the current interim period and therefore have been classified as discontinued operations. Comparative figures of the condensed consolidated statement of comprehensive income have been re-presented to conform with the current period's presentation.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010 except as described below.

Non-current Assets held for Sales

During the current interim period, the Group has classified certain assets as non-current assets held for sale.

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

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

HKFRS 3 (Revised 2008) "Business Combinations" and HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised 2008) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised 2008), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendment to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" issued in 2009 as part of the "Improvements to HKFRSs" clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such assets (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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 2010 ¹
HKAS 24 (Revised)	Related party disclosures ³
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ²
HKFRS 7 (Amendment)	Disclosures - Transfer of financial assets ⁴
HKFRS 9	Financial instruments ⁵
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement ³
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 July 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. This Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information to the chief executive officer, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment are as follows:

- (i) Property investments
- (ii) Property development
- (iii) Investment in securities
- (iv) Loan financing
- (v) Garment sourcing and exporting

During the six months ended 30 September 2010, the garment sourcing and exporting segment was classified as discontinued operations and the results of this operating segment are set out in note 6.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment from continuing operations during the period:

Six months ended 30 September 2010

Continuing operations :

	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	17,896	—	—	—	—	17,896
Segment result	274,839	(3,867)	12,159	1,973	(143)	284,961
Unallocated corporate income						37
Unallocated corporate expenses						(2,139)
Share of results of associates						5,447
Profit before taxation (continuing operations)						288,306

3. SEGMENT INFORMATION (Cont'd)

(a) Segment revenue and results (Cont'd)

Six months ended 30 September 2009

Continuing operations:

	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	14,897	—	—	—	—	14,897
Segment result	70,291	(790)	28,193	2,542	—	100,236
Unallocated corporate income						1,137
Unallocated corporate expenses						(3,334)
Share of results of associates						(5,061)
Profit before taxation (continuing operations)						92,978

Segment result represents the segment profit or loss for each segment without allocation of share of results of associates, and corporate income and expenses. This is the measure reported to the Group's chief operating decision maker, for the purposes resource allocation and performance assessment.

(b) Other segment information

Six months ended 30 September 2010

Included in measure of segment result:	Property investments HK\$'000	Property development HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Consolidated HK\$'000
Gain on changes in fair value of investment properties	256,434	—	—	—	256,434
Gain on fair value changes of investments held for trading	—	—	3,615	—	3,615
Gain on disposal of available-for-sale investments	—	—	4,878	—	4,878

3. SEGMENT INFORMATION (Cont'd)

(b) Other segment information (Cont'd)

Six months ended 30 September 2009

Included in measure of segment result:	Property investments HK\$'000	Property development HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Consolidated HK\$'000
Gain on changes in fair value of investment properties	59,103	—	—	—	59,103
Gain on fair value changes of investments held for trading	—	—	24,659	—	24,659
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. TAXATION CHARGE

Six months ended 30 September	
2010	2009
HK\$'000	HK\$'000

Continuing operations:

The charge comprises:

Hong Kong Profits Tax for the period	—	1,050
Taxation arising in other jurisdictions for the period	<u>101</u>	<u>—</u>
	101	1,050
Deferred taxation (<i>note 17</i>)		
Charge for the period (<i>note</i>)	<u>33,860</u>	<u>15,171</u>
Tax charge attributable to the Company and its subsidiaries	<u>33,961</u>	<u>16,221</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2009: 16.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made in condensed consolidated financial statements as the estimated assessable profit for the period is wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Note: The deferred taxation charge for the six months ended 30 September 2010 is determined after recognising a reversal of deferred taxation liabilities arising from change in tax consequences in which the Group expects to recover the carrying amount of an investment property through sale rather than through use.

5. PROFIT FOR THE PERIOD

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended 30 September 2010		Six months ended 30 September 2010		Six months ended 30 September 2010	
	2009	2009	2009	2009	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting (charging):						
Turnover	17,896	14,897	2,138	226,638	20,034	241,535
Cost of sales and cost of service rendered	(1,086)	(559)	(1,115)	(198,600)	(2,201)	(199,159)
Amortisation of land portion of properties held for development	—	(790)	—	—	—	(790)
Depreciation of property, plant and equipment	(41)	(194)	(11)	(331)	(52)	(525)
Loss on write-off of property, plant and equipment	—	—	(73)	—	(73)	—
Profit (loss) before taxation	288,306	92,978	(467)	8,837	287,839	101,815
Dividend income from listed investments	3,666	3,534	—	—	3,666	3,534
Gain on disposal of available- for-sale investments	4,878	—	—	—	4,878	—
Interest income	2,327	2,655	—	87	2,327	2,742
Net exchange gain (loss) (included in other income and administrative expenses)	6,896	(13)	—	(16)	6,896	(29)

6. DISCONTINUED OPERATIONS

During the six months ended 30 September 2010, the garment sourcing and exporting businesses operated by Mary Mac Apparel, Inc. ("Mary Mac"), a wholly owned subsidiary of the Company, ceased substantially. The directors of Mary Mac also resolved to dissolve Mary Mac on 30 September 2010. The results of the discontinued operations included in the condensed consolidated statement of comprehensive income are set out below.

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
(Loss) profit for the period from discontinued operations:		
Turnover	2,138	226,638
Cost of sales	(1,115)	(198,600)
	<hr/>	<hr/>
Gross profit	1,023	28,038
Other income	—	405
Distribution and selling expenses	(225)	(5,196)
Administrative expenses	(1,265)	(14,410)
	<hr/>	<hr/>
(Loss) profit for the period	(467)	8,837
	<hr/> <hr/>	<hr/> <hr/>
(Loss) profit for the period from discontinued operations has been arrived at after crediting (charging):		
Depreciation of property, plant and equipment	(11)	(331)
Loss on write-off of property, plant and equipment	(73)	—
Interest income	—	87
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7. BASIC EARNINGS PER SHARE

From continuing and discontinued operations:

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Earnings for the purpose of calculating basic earnings per share	<u>253,878</u>	<u>85,594</u>
	Six months ended 30 September	
	2010	2009
		(Restated)
<u>Number of shares</u>		
Number of shares for the purpose of calculating basic earnings per share	<u>79,420,403</u>	<u>79,420,403</u>

From continuing operations:

The calculation of the basic earnings per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings are calculated as follows:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Earnings attributable to owners of the Company for the purpose of calculating basic earnings per share	253,878	85,594
Add: Loss (profit) for the period from discontinued operations	<u>467</u>	<u>(8,837)</u>
Earnings for the purpose of basic earnings per share from continuing operations	<u>254,345</u>	<u>76,757</u>

7. BASIC EARNINGS PER SHARE (Cont'd)

	Six months ended	
	30 September	
	2010	2009
		(Restated)
<u>Number of shares</u>		
Number of shares for the purpose of calculating basic earnings per share	<u>79,420,403</u>	<u>79,420,403</u>

The denominator for the purpose of calculating basic earnings per share for the six months ended 30 September 2009 has been adjusted to reflect the consolidation of shares in February 2010 on the basis of ten ordinary shares being consolidated into one ordinary share.

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

From discontinued operations:

Basic loss per share for the discontinued operations is HK cents 0.59 per share (basic earnings per share for six months ended 30 September 2009: HK cents 11.13 per share), based on the loss for the period from discontinued operations of HK\$467,000 (profit for the period from discontinued operations for six months ended 30 September 2009: HK\$8,837,000) and the denominators detailed above for basic earnings per share.

8. DIVIDEND

The directors have determined that an interim dividend of HK\$0.08 per share (six months ended 30 September 2009: nil) and a special dividend of HK\$0.50 per share (six months ended 30 September 2009: nil) will be paid to the shareholders of the Company whose names appear in the register of members of the Company on 15 December 2010.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$16,000 (six months ended 30 September 2009: HK\$12,000) on acquisition of property, plant and equipment.

10. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2010	866,372
Exchange realignment	9,282
Reclassified to asset classified as held for sale (<i>note 14</i>)	(88,500)
Increase in fair value recognised in profit or loss	256,434
	<hr/>
At 30 September 2010	<u>1,043,588</u>

The Group's investment properties are held for rental purpose under operating leases. The fair values of the Group's investment properties at 30 September 2010 and 31 March 2010 were arrived at on the basis of valuation carried out as at that date by the following independent firms of qualified professional property valuers not connected with the Group. The valuations were arrived at by reference to market evidence of transaction prices for similar properties and by reference to net rental income allowing for reversionary income potential using the applicable market yields for the respective locations and types of properties.

At 30 September 2010

<i>Name of valuer</i>	<i>Location of investment properties</i>
Vigers Appraisal & Consulting Limited	Hong Kong
DTZ Debenham Tie Leung (SEA) Pte Ltd	Singapore

At 31 March 2010

<i>Name of valuer</i>	<i>Location of investment properties</i>
A.G. Wilkinson & Associates	Hong Kong
Knight Frank Petty Limited	Hong Kong
DTZ Debenham Tie Leung (SEA) Pte Ltd	Singapore

The gain arising on change in fair value of the investment properties of HK\$256,434,000 (six months ended 30 September 2009: HK\$59,103,000) has been recognised in profit or loss for the six months ended 30 September 2010.

11. INTERESTS IN ASSOCIATES

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Listed securities in Hong Kong, at cost	179,803	179,803
Share of post-acquisition losses	(39,785)	(44,818)
Share of translation reserve	8,727	7,462
Share of property revaluation reserve	12,878	12,878
Unrealised gain on disposal of the Garment Trading Companies (<i>note a</i>)	(16,863)	(17,277)
	<u>144,760</u>	<u>138,048</u>
	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
Group's share of results of associates for the period (<i>note b</i>)	5,033	(5,061)
Realised gain on disposal of the Garment Trading Companies (<i>note c</i>)	414	—
Total share of results of associates for the period	<u>5,447</u>	<u>(5,061)</u>

Notes:

- (a) The balance represents the carrying amount of the unrealised gain on disposal of the entire issued share capital of each of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited (collectively the "Garment Trading Companies"), which were formerly wholly-owned subsidiaries of the Company and principally engaged in garment sourcing and exporting to a wholly-owned subsidiary of the Group's associate during the year ended 31 March 2010, which was attributable to the Group's interests in associates.
- (b) Included in the Group's share of results of associates is the Group's share of profit (loss) from the discontinued operations of the associates amounting to HK\$91,000 during the six months ended 30 September 2010 (six months ended 30 September 2009: share of loss of HK\$3,471,000).
- (c) The amount represents the realised portion of gain on disposal of the Garment Trading Companies during the six months ended 30 September 2010 as a result of amortisation of intangible assets and tax effect thereto arising from the acquisition of the Garment Trading Companies by the Group's associate, which took place during the year ended 31 March 2010.

12. PROPERTIES HELD FOR DEVELOPMENT

Movements of properties held for development are as follows:

	NOTES	HK\$'000
At 1 April 2010		400,605
Acquired from acquisition of a subsidiary	(a)	15,185
Additions	(b)	97,443
		<hr/>
At 30 September 2010		513,233
		<hr/> <hr/>

Notes:

- (a) As announced by the Company on 24 February 2010, the Group entered into a sale and purchase agreement with an outside individual to acquire the entire issued share capital of Chief Access Limited ("Chief Access") for a consideration of HK\$5,650,000. The acquisition of Chief Access, which held interests in units of the building situated on the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A and 311C Prince Edward Road West, Kowloon, Hong Kong) (the "311A and 311C Prince Edward Road Building"), was completed on 19 April 2010. This transaction has been accounted for as a purchase of assets and liabilities rather than business combination as Chief Access was not a business. The net assets acquired were as follows:

	HK\$'000
Net assets acquired:	
Properties held for development	15,185
Amount due to a former shareholder	(9,535)
	<hr/>
	5,650
Settlement of amount due to a former shareholder by the Group	9,535
	<hr/>
	15,185
	<hr/> <hr/>
Total consideration satisfied by cash and cash outflow in respect of the acquisition	15,185
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The cash outflow was included in the operating activities for the six months ended 30 September 2010 as the acquisition was for the purpose of acquiring properties held for development for sale in the ordinary course of business.

- (b) During the six months ended 30 September 2010, Chief Access completed the acquisition of all units in the 311A and 311C Prince Edward Road Building at a total consideration of HK\$98,996,000 (including direct costs). The net balance of HK\$89,461,000, after deducting deposits of HK\$9,535,000, was included in the additions to the properties held for development for the six months ended 30 September 2010.

13. TRADE AND OTHER RECEIVABLES

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Trade receivables	785	5,848
Receivable from stakeholder's account in respect of sale of an investment property	4,550	—
Receivable from stakeholder's account in respect of pre-sale of residential units	4,510	—
Other receivables	2,959	2,090
	<u>12,804</u>	<u>7,938</u>

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

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
0 - 60 days	785	5,353
61 - 90 days	—	495
	<u>785</u>	<u>5,848</u>

14. ASSET CLASSIFIED AS HELD FOR SALE

During the six months ended 30 September 2010, the Group entered into a formal sale and purchase agreement with an outside purchaser to dispose of an investment property being House No. 11 and the garden appurtenant thereto and car parking space nos. 11A & 11B Las Pinadas, No. 33 Shouson Hill Road, Hong Kong at a consideration of HK\$88,500,000. At 30 September 2010, the Group received deposits of HK\$8,850,000, of which an amount of HK\$4,550,000 was received by the Group's solicitor which was held in the stakeholder's account at 30 September 2010. The remaining balance of HK\$79,650,000 will be received by the Group upon completion, which is expected to be on or before 28 January 2011.

At 30 September 2010, the carrying amount of the investment property classified as held for sale was HK\$88,500,000.

15. TRADE AND OTHER PAYABLES

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Trade payables	1,470	7,396
Rental deposits received	8,141	9,332
Deposits received from sale of an investment property	8,850	—
Deposits received from pre-sale of residential units	4,510	—
Accruals and other payables	10,465	14,017
	33,436	30,745

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

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
0 - 60 days	1,470	4,127
61 - 90 days	—	557
Over 90 days	—	2,712
	1,470	7,396

16. SHARE CAPITAL

	Notes	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 April 2009		0.01	100,000,000,000	1,000,000
Consolidation of shares	(a)		(90,000,000,000)	—
At 31 March 2010 and 30 September 2010		0.1	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At 1 April 2009		0.01	794,204,028	7,942
Exercise of share options	(b)	0.01	2	—
Consolidation of shares	(a)	0.01	794,204,030 (714,783,627)	7,942 —
At 31 March 2010 and 30 September 2010		0.1	<u>79,420,403</u>	<u>7,942</u>

16. SHARE CAPITAL (Cont'd)

Notes:

- (a) As announced by the Company on 8 December 2009, the Company proposed to effect a share consolidation and every ten issued and unissued shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each. Details of the share consolidation are set out, inter alia, in the circular of the Company dated 29 January 2010. An ordinary resolution approving the share consolidation was passed at the special general meeting of the Company held on 17 February 2010 and the share consolidation became effective on 18 February 2010.
- (b) On 13 January 2010, options to subscribe for a total of 2 ordinary shares of HK\$0.01 each of the Company at a subscription price of HK\$0.27 per share were granted pursuant to the Company's share option scheme adopted on 18 February 2002. The share options are exercisable within 30 days from the date of grant. The grant was accepted on 13 January 2010 for a nominal consideration of HK\$1 and were exercised in full on the same day. These shares issued rank pari passu with the then existing shares in issue in all respects.

17. DEFERRED TAXATION

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

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2009	246	33,949	(19,509)	14,686
Charge to profit or loss	11	8,413	6,747	15,171
At 30 September 2009	257	42,362	(12,762)	29,857
Exchange realignment	—	153	—	153
Acquired from acquisition of subsidiaries	—	34,369	(1,734)	32,635
(Credit) charge to profit or loss	(221)	10,044	(347)	9,476
Charge to property revaluation reserve	—	2,029	—	2,029
At 31 March 2010	36	88,957	(14,843)	74,150
Exchange realignment	—	662	—	662
Charge to profit or loss	5	31,757	2,098	33,860
At 30 September 2010	41	121,376	(12,745)	108,672

For the purposes of the presentation in the condensed consolidated statement of financial position, the above deferred tax liabilities and assets have been offset.

17. DEFERRED TAXATION (Cont'd)

At 30 September 2010, the Group has unused tax losses of HK\$92,283,000 (31 March 2010: HK\$159,725,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$77,244,000 (31 March 2010: HK\$89,957,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$15,039,000 (31 March 2010: HK\$69,768,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except for losses of HK\$58,186,000 (30 September 2010: nil) which will expire as follows:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Year of expiry:		
2022	—	1,821
2023	—	2,163
2024	—	11,225
2025	—	13,272
2026	—	7,650
2027	—	9,022
2028	—	7,300
2029	—	2,424
2030	—	3,309
	<hr/>	<hr/>
	—	58,186
	<hr/> <hr/>	<hr/> <hr/>

At 30 September 2010, the tax losses of HK\$58,186,000 may not be carried forward by Mary Mac as Mary Mac is under dissolution.

18. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the period, the Group received rental income of HK\$168,000 (six months ended 30 September 2009: HK\$183,000) from related parties/persons deemed to be “connected persons” pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange, being entities controlled by certain relatives of Ms. Lui Yuk Chu, a director and a substantial shareholder of the Company, and her spouse, Mr. Koon Wing Yee.
- (b) During the period, the Group had the following transactions with wholly-owned subsidiaries of Easyknit Enterprises Holdings Limited, an associate of the Group, in which Ms. Lui Yuk Chu, a director and a substantial shareholder of the Company, has beneficial interest:

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
Rental income	1,034	—
Administrative service income	—	120
	<u> </u>	<u> </u>

At the end of the reporting period, amounts due to these entities comprise:

	30 September	31 March
	2010	2010
	HK\$'000	HK\$'000
Trade payables	—	7,162
	<u> </u>	<u> </u>

- (c) On 15 January 2010, the Company entered into a consultancy agreement with Mr. Koon Wing Yee for consultancy services provided by Mr. Koon Wing Yee to the Group for a fee of HK\$498,000 per annum which shall be payable in arrears by twelve monthly instalments of HK\$41,500 each. The consultancy agreement is for a period of one year commencing on 15 January 2010 but may be terminated by either party at any time by one month’s notice. Mr. Koon Wing Yee is the spouse of Ms. Lui Yuk Chu, a director and a substantial shareholder of the Company. Consultancy fee paid and payable to Mr. Koon Wing Yee during the six months ended 30 September 2010 amounted to HK\$249,000 (six months ended 30 September 2009: nil).

- (d) Compensation of key management personnel

The remuneration of directors and other members of key management during the period amounted to HK\$3,493,000 (six months ended 30 September 2009: HK\$3,562,000).

19. EVENTS AFTER THE END OF THE INTERIM PERIOD

- (a) As announced by the Company on 19 October 2010, the Group acquired 100,000 shares of an equity security listed in Hong Kong, which was classified as investments held for trading, at a consideration of HK\$8,300,000 (exclusive of transaction cost).
- (b) As announced by the Company on 25 November 2010, the Group disposed of part of its equity investment in a company listed in Hong Kong for a cash consideration of HK\$39,123,000 before expenses.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The board of directors resolved to declare an interim dividend of HK\$0.08 per share (six months ended 30 September 2009: nil) and a special dividend of HK\$0.50 per share (six months ended 30 September 2009: nil) for the six months ended 30 September 2010 to the shareholders whose names appear on the register of members of the Company on 15 December 2010.

The interim dividend and special dividend will be paid on or around 20 December 2010.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to the interim dividend and special dividend, the register of members of the Company will be closed from Monday, 13 December 2010 to Wednesday, 15 December 2010 (both days inclusive) during which period no share transfer will be registered. In order to qualify for the interim dividend and special dividend, all shares transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

In March 2010, the Group disposed of its garment sourcing and exporting business, except companies with operations in the United States of America ("USA"), to the subsidiary of its associate company, Easyknit Enterprises Holdings Limited. On 30 September 2010, the board of directors also resolved to cease the remaining garment distribution business in USA to prevent further loss.

During the six months ended 30 September 2010, the Group recorded a turnover of approximately HK\$17,896,000 from its continuing business on property investment, representing an increase of approximately 20.1% as compared to approximately HK\$14,897,000 for the corresponding period last year. The rise in turnover was mainly attributable to the rental income derived from the Hong Kong properties and the Singapore properties which were acquired by the Group in December 2009. Total operating expenses amounted to approximately HK\$11,907,000 (six months ended 30 September 2009: approximately HK\$7,329,000). Profit from continuing operations amounted to approximately HK\$254,345,000 (six months ended 30 September 2009: profit of approximately HK\$76,757,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)*

Financial Results *(Cont'd)*

During the period under review, the discontinued garment sourcing and exporting business contributed approximately HK\$2,138,000 to the turnover of the Group (six months ended 30 September 2009: approximately HK\$226,638,000). As a result of the disposal of the garment sourcing and exporting business in March 2010, the cost of sales dropped down significantly to approximately HK\$1,115,000 (six months ended 30 September 2009: approximately HK\$198,600,000). The gross profit decreased to approximately HK\$1,023,000 from approximately HK\$28,038,000 for the corresponding period last year. Due to the aforesaid disposal of the garment sourcing and exporting business, the operating expenses also reduced to approximately HK\$1,490,000 (six months ended 30 September 2009: approximately HK\$19,606,000). Loss for the period was approximately HK\$467,000 (six months ended 30 September 2009: profit of approximately HK\$8,837,000).

Profit attributable to shareholders was approximately HK\$253,878,000 (six months ended 30 September 2009: HK\$85,594,000). Such increase was largely attributable to (i) the increase in the fair value of investment properties to approximately HK\$256,434,000 (six months ended 30 September 2009: approximately HK\$59,103,000), (ii) the gain on disposal of available-for-sale investments of approximately HK\$4,878,000 (six months ended 30 September 2009: nil), and (iii) share of results of associates of approximately HK\$5,447,000 (six months ended 30 September 2009: loss of approximately HK\$5,061,000). Basic earnings per share from the continuing and discontinued operations was approximately HK\$3.20 (six months ended 30 September 2009: basic earnings per share was approximately HK\$1.08).

No finance cost was recorded for the six months ended 30 September 2010 as there was no bank borrowings for the period under review.

Business Review

During the six months ended 30 September 2010, the Group has successfully transformed into a property development and investment company with respect to the better utilisation of resources and human capital.

Grasping the business opportunities brought by the blooming property market, the Group completed a number of important acquisitions during the year ended 31 March 2010. These acquisitions together with the existing investment properties held provide a steady and stable rental income for the future of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)*

Business Review *(Cont'd)*

The pre-sale of initial twenty four units of the re-development of No. 1 & 1A, 3 & 3A Victory Avenue in Homantin (namely "One Victory") was commenced on 21 August 2010. Eight units have been sold upto the date hereof. One Victory is expected to be completed by August 2011 and deliver income for the Group.

For property development, the Group has acquired all the units or 100% of the undivided shares in the buildings situated at Nos. 313, 313A, 313B and 313C Prince Edward Road West (Section B of Kowloon Inland Lot No. 1685), Nos. 311B and 311D Prince Edward Road West (Sub-Section 1 of Section A of Kowloon Inland Lot No. 2978) and Nos. 311A and 311C Prince Edward Road West (Remaining portion of Section A of Kowloon Inland Lot No. 2978). The acquisitions enable the Group to expand its property investment portfolio, and provide the Group with further potential income from property development. The Group intends to re-develop the sites together.

The Company announced on 24 September 2010 that its wholly-owned subsidiary entered into the binding provisional sale and purchase agreement with an independent third party for the disposal of the residential property being House No. 11 and the garden appurtenant thereto and car parking space nos. 11A & 11B Las Pinadas, No. 33 Shouson Hill Road, Hong Kong at a consideration of HK\$88,500,000 (the "Disposal"). As at the date hereof, deposit of HK\$8,850,000 had been received and the remaining balance of HK\$79,650,000 would be received by the Group upon completion, which was expected to be on or before 28 January 2011. The Disposal constituted a major transaction of the Company under the Listing Rules. The Company had received written irrevocable approval of the Disposal from a closely allied group of shareholders of the Company, namely Sea Rejoice Limited and Magical Profits Limited, in accordance with the provisions of the Listing Rules. Accordingly, no general meeting of shareholders of the Company was required to approve the Disposal. Details of the Disposal were set out in the Company's circular dated 18 October 2010.

As at 30 September 2010, the Group's commercial and residential rental properties were 100% leased. Its industrial rental properties continued to maintained a high occupancy rate of approximately 84.5%. The building management fee income was approximately HK\$159,000 (six months ended 30 September 2009: approximately HK\$151,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)*

Prospects

The property investment market in Hong Kong revives quickly after the global economic tsunami and continues to boom in the year of 2010. The bull stock market as well as land auctions with historical high prices boosted not only the confidence of property developers, but property investors as well. The directors are confident about the properties development projects on hand despite the announcement made by the Government on 19 November 2010 to introduce certain policies to calm down the ongoing speculation on properties.

The Group holds an optimistic view towards the property market in Hong Kong and Singapore and would keep an eye on potential property investments to further enrich its portfolio and at the same time create more returns to shareholders.

Liquidity and Financial Resources

During the six months ended 30 September 2010, the Group financed its operations mainly by internally generated resources. As the Group had no bank borrowings as at 30 September 2010 (31 March 2010: nil), no gearing ratio of the Group was presented.

The Group continued to sustain a good liquidity position. As at 30 September 2010, the Group had net current assets of approximately HK\$718,808,000 (31 March 2010: approximately HK\$600,445,000) and cash and cash equivalents of approximately HK\$26,732,000 (31 March 2010: approximately HK\$116,555,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 30 September 2010, the current ratio of the Group was approximately 13.6 (31 March 2010: approximately 12.0), which was calculated on the basis of current assets and asset classified as held for sale in aggregate of approximately HK\$775,995,000 (31 March 2010: approximately HK\$655,185,000) to current liabilities of approximately HK\$57,187,000 (31 March 2010: approximately HK\$54,740,000). 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 2010 and up to the date of this report.

Material Acquisitions and Disposals

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2010.

Charges on Group Assets

The Group did not have any charges on assets as at 30 September 2010 (31 March 2010: nil).

Capital Expenditure and Capital Commitments

During the six months ended 30 September 2010, the Group spent approximately HK\$16,000 (six months ended 30 September 2009: approximately HK\$12,000) on acquisition of property, plant and equipment.

As at 30 September 2010, the Group had no capital commitments (31 March 2010: nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2010 (31 March 2010: nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)*

Significant Investment

As at 30 September 2010, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$70,332,000 (31 March 2010: approximately HK\$72,232,000) and investments held for trading of approximately HK\$80,411,000 (31 March 2010: approximately HK\$69,942,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the period under review, the Group recorded a gain on fair value changes of investments held for trading of approximately HK\$3,615,000 for the six months ended 30 September 2010 (six months ended 30 September 2009: gain of approximately HK\$24,659,000). Gain on disposal of available-for-sale investments of approximately HK\$4,878,000 was recognised for the six months ended 30 September 2010 (six months ended 30 September 2009: nil).

Save as disclosed herein, the Group did not have any significant investment held or any significant investment plans as at 30 September 2010.

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.

Subsequent Events

As announced on 19 October 2010, the Group acquired on the Stock Exchange 100,000 shares of HSBC Holdings plc at a consideration of HK\$8,300,000 (exclusive of transaction costs).

As announced on 25 November 2010, the Group disposed on the market an aggregate of 220,000 shares of Hong Kong Exchanges and Clearing Limited for aggregate gross sale proceeds of HK\$39,123,000.

Employment and Remuneration Policy

As at 30 September 2010, the Group employed about 12 employees in Hong Kong. Staff costs (including directors' emoluments) amounted to approximately HK\$5,522,000 for the period under review (six months ended 30 September 2009: approximately HK\$13,327,000). 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. The Group also has a share option scheme to motivate valued employees.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2010, the interests and short positions of the directors and chief executives of the Company 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	(Note i)	46,609,144	58.69%
Koon Ho Yan, Candy (Note ii)	Beneficiary of a trust	29,179,480	36.74%

Notes:

- (i) Out of 46,609,144 shares, 17,429,664 shares were beneficially owned by Sea Rejoice Limited which was wholly-owned by Ms. Lui Yuk Chu. The other 29,179,480 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 included Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) Ms. Koon Ho Yan, Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, was deemed to be interested in the shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

DIRECTORS' INTERESTS IN SECURITIES (Cont'd)

B. Interests in associated corporations

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

Name of director	Capacity	Number of issued ordinary shares held (long position)	Approximate percentage to issued ordinary shares of Easyknit Enterprises
Lui Yuk Chu	(Note i)	116,395,325	31.70%
Koon Ho Yan, Candy (Note ii)	Beneficiary of a trust	116,395,325	31.70%

Notes:

- (i) 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. Sea Rejoice Limited was interested in approximately 21.95% of the issued share capital of the Company and it was wholly-owned by Ms. Lui Yuk Chu. 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 included Ms. Lui Yuk Chu and her family members other than her spouse).
- (ii) Ms. Koon Ho Yan, Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, was deemed to be interested in the shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust.

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 2010, none of the directors or chief executives of the Company 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 2010 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 2010, 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:

Name of substantial shareholder	Capacity	Number of issued ordinary shares held (long position)	Approximate percentage to issued ordinary shares of the Company
Koon Wing Yee (<i>Note a</i>)	Interest of spouse	46,609,144	58.69%
Sea Rejoice Limited (<i>Notes a & b</i>)	Beneficial owner	17,429,664	21.95%
Magical Profits Limited (<i>Notes a & b</i>)	Beneficial owner	29,179,480	36.74%
Accumulate More Profits Limited (<i>Note a</i>)	Interest of controlled corporation	29,179,480	36.74%
Hang Seng Bank Trustee International Limited (<i>Notes a & c</i>)	Trustee	29,179,480	36.74%
Hang Seng Bank Limited (<i>Note c</i>)	Interest of controlled corporation	29,179,480	36.74%
The Hongkong and Shanghai Banking Corporation Limited (<i>Note c</i>)	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings BV (<i>Note c</i>)	Interest of controlled corporation	29,179,480	36.74%
HSBC Asia Holdings (UK) (<i>Note c</i>)	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings BV (<i>Note c</i>)	Interest of controlled corporation	29,179,480	36.74%
HSBC Finance (Netherlands) (<i>Note c</i>)	Interest of controlled corporation	29,179,480	36.74%
HSBC Holdings plc (<i>Note c</i>)	Interest of controlled corporation	29,179,480	36.74%

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

- (a) Out of 46,609,144 shares, 17,429,664 shares were beneficially owned by Sea Rejoice Limited which was wholly-owned by Ms. Lui Yuk Chu. The other 29,179,480 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). Ms. Koon Ho Yan, Candy, the daughter of Ms. Lui Yuk Chu and a director of the Company, was deemed to be interested in the 29,179,480 shares by virtue of her capacity as one of the beneficiaries of The Magical 2000 Trust. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 46,609,144 shares by virtue of the SFO.
- (b) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Sea Rejoice Limited and Magical 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. 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 2010, 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 2010.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Tsui Chun Kong (Committee Chairman), Mr. Jong Koon Sang and Mr. Hon Tam Chun. The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed financial reporting matters, including review of the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2010.

REMUNERATION COMMITTEE

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

EXECUTIVE COMMITTEE

The Company has established an Executive Committee with written terms of reference. The Executive Committee currently comprises all the executive directors of the Company, namely Mr. Kwong Jimmy Cheung Tim (Committee Chairman), Ms. Lui Yuk Chu and Ms. Koon Ho Yan, Candy. 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 2010, the Company complied with all the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Listing Rules except for the following deviations:

Code provision A.2.1

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

Code provision A.4.1

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

The reasons for the above deviations are set out in the section headed “Corporate Governance Practices” in the “Corporate Governance Report” contained in the Company’s annual report for the financial year ended 31 March 2010.

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, except Ms. Lui Yuk Chu, 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 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS *(Cont'd)*

On 28 May 2010, Ms. Lui Yuk Chu (“Ms. Lui”), an executive director and the Vice President of the Company and a substantial shareholder of the Company (being one of the beneficiaries of The Magical 2000 Trust), had through her wholly-owned company, Sea Rejoice Limited (as the Offeror), made a general offer for all the shares of the Company not already owned by the Offeror and parties acting in concert with it, at the offer price of HK\$3.30 per offer share (the “General Offer”).

According to the Model Code, “Dealing” includes “any acquisition, disposal or transfer of, or offer to acquire, dispose of or transfer, or creation of pledge, charge or any other security interest in, any securities of the Company or any entity whose assets solely or substantially comprise securities of the Company.” The General Offer was caught under the above definition of “Dealing” in the shares of the Company for the purpose of the Model Code. The General Offer took place during the blackout period which commenced on 20 May 2010 and lasted up to and including 20 July 2010, the date immediately before the announcement of the Company’s annual results for the year ended 31 March 2010. During the said blackout period, directors of the Company were prohibited from dealing in the shares of the Company.

Ms. Lui admits that inadvertently she was in breach of Rule A3 of the Model Code for directors’ dealings during the blackout period, but submits that this was a misunderstanding of the meaning of “Dealing” (Please refer to the paragraph above) and an innocent oversight as a result of the need to publish an announcement of the General Offer as soon as possible in light of the price sensitive nature of the General Offer and the rules of the Takeovers Code. Ms. Lui explained that it took longer than expected to obtain the confirmation regarding the non-application of the chain principle from the Executive of the Securities and Futures Commission and, as a result, by the time the confirmation was received, the fact that a blackout period had begun was overlooked.

Ms. Lui did not notify the President of the Company in writing before making the General Offer, nor did Ms. Lui receive a dated written acknowledgment from the Company as required by Rule B8 of the Model Code.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of information regarding directors of the Company was as follows:

Ms. Koon Ho Yan, Candy, an executive director of the Company, resigned as director in the following subsidiaries of the Company, namely Easyknit BVI Limited, Easyknit International Ltd., Easyknit Properties Holdings Limited, Namber Developments Limited, Planetic International Limited, Wellmake Investments Limited, Mark Profits Development Limited, Golden Top Properties Limited, Janson Properties Limited, Easyknit Properties Management Limited, Happy Light Investments Limited, Tomorrow International Investment Limited, Trump Elegant Investment Limited, Kingbest Capital Holdings Limited, Grow Well Profits Limited, Supertop Investment Limited, Goldchamp International Limited, Chief Access Limited and Landmark Profits Limited, with effect from 9 August 2010.

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

Hong Kong, 26 November 2010

As at the date of this report, the board comprises Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan, Candy 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*