



# EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 616)

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

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

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

	NOTES	2007 HK\$'000	2006 HK\$'000
Turnover	3	75,964	58,039
Cost of sales and services		<u>(74,717)</u>	<u>(53,573)</u>
Gross profit		1,247	4,466
Other income		2,667	1,441
Distribution costs		(424)	(536)
Administrative expenses		(15,084)	(10,533)
Other expenses		(608)	(1,416)
Impairment loss recognised in respect of goodwill		—	(21,122)
Write back of allowance (allowance) for doubtful debts		2,446	(3,882)
Finance costs	4	<u>(153)</u>	<u>(1,275)</u>
Loss before taxation	5	(9,909)	(32,857)
Taxation	6	<u>(1,572)</u>	<u>—</u>
Loss for the year		<u>(11,481)</u>	<u>(32,857)</u>
Basic loss per share	7	<u>HK cent (0.3)</u>	<u>HK cent (1.5)</u>

**CONSOLIDATED BALANCE SHEET**

AT 31 MARCH 2007

	<i>NOTES</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		66,836	24,596
Prepaid lease payments		31,642	8,814
Deposits for acquisition of property, plant and equipment		<u>16,125</u>	<u>15,628</u>
		<u>114,603</u>	<u>49,038</u>
Current assets			
Inventories		15,445	4,629
Trade and other receivables	8	44,783	21,673
Prepaid lease payments		656	183
Bank balances and cash		<u>29,392</u>	<u>110,018</u>
		<u>90,276</u>	<u>136,503</u>
Current liabilities			
Trade and other payables	9	24,453	8,847
Bills payable	10	4,146	682
Tax payable		1,608	—
Bank loans		<u>6,038</u>	<u>984</u>
		<u>36,245</u>	<u>10,513</u>
Net current assets		<u>54,031</u>	<u>125,990</u>
		<u>168,634</u>	<u>175,028</u>
Capital and reserves			
Share capital		39,271	3,927
Reserves		<u>129,363</u>	<u>171,101</u>
		<u>168,634</u>	<u>175,028</u>

## NOTES

### 1. GENERAL AND BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) 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 HKFRS

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

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

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

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

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

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

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

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

### 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

The Group's primary format for reporting segment information is business segments. For management purposes, the Group is currently organised into two main operating divisions - bleaching and dyeing and knitting. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

#### For the year ended 31 March 2007

#### Income statement

	<b>Bleaching and dyeing</b>	<b>Knitting</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
External	75,964	—	—	75,964
Inter-segment ( <i>note</i> )	<u>—</u>	<u>8,292</u>	<u>(8,292)</u>	<u>—</u>
Total	<u>75,964</u>	<u>8,292</u>	<u>(8,292)</u>	<u>75,964</u>
Segment result	<u>(2,400)</u>	<u>(2,334)</u>	<u>—</u>	(4,734)
Interest income				1,926
Unallocated corporate expenses				(6,948)
Finance costs				<u>(153)</u>
Loss before taxation				(9,909)
Taxation				<u>(1,572)</u>
Loss for the year				<u>(11,481)</u>

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

**For the year ended 31 March 2006**

**Income statement**

	<b>Bleaching and dyeing</b> <i>HK\$'000</i>	<b>Knitting</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Turnover				
External	57,936	103	—	58,039
Inter-segment ( <i>note</i> )	<u>4</u>	<u>5,465</u>	<u>(5,469)</u>	<u>—</u>
<b>Total</b>	<u><u>57,940</u></u>	<u><u>5,568</u></u>	<u><u>(5,469)</u></u>	<u><u>58,039</u></u>
Segment result	<u><u>(25,366)</u></u>	<u><u>(1,434)</u></u>	<u><u>—</u></u>	(26,800)
Interest income				1,291
Unallocated corporate expenses				(6,073)
Finance costs				<u>(1,275)</u>
Loss for the year				<u><u>(32,857)</u></u>

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

**Geographical segments**

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
United States of America	—	366
Mainland China	<u>75,964</u>	<u>57,673</u>
	<u><u>75,964</u></u>	<u><u>58,039</u></u>

**4. FINANCE COSTS**

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	<u>153</u>	<u>1,275</u>

## 5. LOSS BEFORE TAXATION

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Directors' remuneration	2,700	700
Other staff costs, including retirement benefits costs	<u>8,151</u>	<u>6,486</u>
Total staff costs	<u>10,851</u>	<u>7,186</u>
Depreciation	3,332	3,372
Amortisation of prepaid lease payments	301	168
Auditor's remuneration	726	538
Loss on disposal of property, plant and equipment	127	96
Cost of inventories recognised as an expense	68,629	41,536
Allowance for inventories	—	214
and after crediting:		
Interest income	1,926	1,291
Write back of allowance for inventories	<u>96</u>	<u>—</u>

## 6. TAXATION

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for the years ended 31 March 2007 and 2006. The amount for the year represents the taxation charge in Mainland China.

## 7. BASIC LOSS PER SHARE

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Loss for the purposes of basic loss per share	<u>(11,481)</u>	<u>(32,857)</u>
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic loss per share	<u>3,927,075,240</u>	<u>2,211,495,987</u>

The denominator for the purposes of calculating basic loss per share for the year ended 31 March 2006 has been adjusted to reflect the bonus issue of share on the basis of nine bonus shares for every share held in June 2006.

No diluted loss per share has been presented for the year ended 31 March 2006 as the exercise of the Company's outstanding share options would reduce the loss per share for that year.

No diluted loss per share has been presented for the year ended 31 March 2007 as there are no outstanding share options during the year.

## 8. TRADE AND OTHER RECEIVABLES

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
0 - 60 days	10,026	7,504
61 - 90 days	10,655	2,340
Over 90 days	<u>21,007</u>	<u>9,934</u>
Trade receivables	41,688	19,778
Other receivables and prepayments	<u>3,095</u>	<u>1,895</u>
	<u>44,783</u>	<u>21,673</u>

The directors consider the fair value of the Group's trade receivables approximates the corresponding carrying amount.

## 9. TRADE AND OTHER PAYABLES

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
0 - 60 days	4,444	4,963
61 - 90 days	2,494	1,286
Over 90 days	<u>1,408</u>	<u>233</u>
Trade payables	8,346	6,482
Other payables	<u>16,107</u>	<u>2,365</u>
	<u>24,453</u>	<u>8,847</u>

The directors consider the fair value of the Group's trade payables approximates the corresponding carrying amount.

## 10. BILLS PAYABLE

As at balance sheet date, the bills payable is aged within 120 days. The directors consider the fair value of the Group's bills payable approximates the corresponding carrying amount.

## **DIVIDEND**

The Board has resolved not to declare a dividend for the year ended 31 March 2007 (2006: Nil).

## **CHANGE OF COMPANY NAME**

With effect from 19 June 2006, the name of the Company has been changed from “Asia Alliance Holdings Limited” to “Easyknit Enterprises Holdings Limited” and the new Chinese name of “永義實業集團有限公司” has been adopted to replace the Chinese name of “亞洲聯盟集團有限公司” for identification purpose.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK\$75,964,000, an increase of approximately 30.9% over last year (2006: approximately HK\$58,039,000). Gross profit fell approximately 72.1% to approximately HK\$1,247,000 (2006: approximately HK\$4,466,000). Gross profit margin decreased from approximately 7.7% to approximately 1.6%. Loss attributable to shareholders dropped approximately 65.1% to approximately HK\$11,481,000 (2006: approximately HK\$32,857,000). Loss per share was approximately HK cent 0.3 (2006: approximately HK cents 1.5).

The remarkable reduction in loss for the year under review was primarily attributable to the growth in turnover, quantum leap in other income, write back of allowance for doubtful debts and substantial reduction in finance costs as well as no further impairment loss in respect of goodwill was recognised during the year, whereas such loss of approximately HK\$21,122,000 was recognised for the year ended 31 March 2006. The improvement was partly offset by the increase in total operating expenses and the taxation charge of approximately HK\$1,572,000 for the year under review.

The cost of sales and services went up by approximately 39.5% to approximately HK\$74,717,000 (2006: approximately HK\$53,573,000), primarily due to the growth in sales and increase in material costs.

Other income surged by approximately 85.1% to reach approximately HK\$2,667,000 (2006: approximately HK\$1,441,000), mainly due to the increase in interest income during the year.

The Group's total operating expenses rose by approximately 29.1% to approximately HK\$16,116,000 (2006: approximately HK\$12,485,000), largely due to the increase in directors' remuneration by HK\$2,000,000 and other staff cost by approximately HK\$1,665,000. The executive directors of the Company did not receive any remuneration until February 2006.

Finance costs dropped approximately 88.0% to approximately HK\$153,000 (2006: approximately HK\$1,275,000), principally by reason of the lower average bank loans outstanding during the year under review.

## **Business Review**

During the year ended 31 March 2007, the Group was principally engaged in the businesses of bleaching and dyeing, and knitting.

### ***Bleaching and dyeing***

The bleaching and dyeing business continued to be the major business of the Group and contributed to 100.0% of the Group's total turnover for the year ended 31 March 2007, an approximately 0.2% increase as compared to prior year (2006: approximately 99.8%). Turnover of this segment increased significantly by approximately 31.1% to approximately HK\$75,964,000 (2006: approximately HK\$57,936,000). This segment results recorded a loss of approximately HK\$2,400,000 (2006: approximately HK\$25,366,000). The substantial decrease in loss was largely due to the growth in turnover and write back of allowance for doubtful debts previously written off as well as no further impairment loss in respect of goodwill was recognised for the year ended 31 March 2007, whereas, a significant one-off impairment loss in respect of goodwill of approximately HK\$21,122,000 was recognised for the year ended 31 March 2006. The Group's bleaching and dyeing factory located in Dongguan, the People's Republic of China (the "PRC") currently has a daily production capacity of about 30,000 pounds.

### ***Knitting***

No external sales were recorded for the knitting business during the year under review (2006: approximately 0.2%). Taking into account the portion of inter-segment, the turnover derived from this segment rose by approximately 48.9% to approximately HK\$8,292,000 (2006: approximately HK\$5,568,000). The segment loss increased from approximately HK\$1,434,000 to approximately HK\$2,334,000, mainly due to the decrease in gross profit margin from approximately 12.1% to approximately 8.1%. The knitting mill in Heyuan, the PRC has a daily production capacity of about 20,000 pounds.

### ***Geographical analysis***

Geographically, all the Group's customers were located in the PRC.

### ***Huzhou Project***

The progress of the Group's project in Huzhou City, Zhejiang Province, the PRC (the "Huzhou Project") was further delayed, mainly due to the PRC's ongoing macroeconomic adjustment measures which led to tightened land supply.

The Group obtained the land use right certificate for approximately 67 mu of land in December 2006. This parcel of land, together with approximately 184 mu of land transferred to the Group in August 2005, is designated for the development of garment manufacturing capabilities. The construction works have been carried out and are scheduled to be completed by September this year. The directors expected that the transfer to the Group of the remaining two parcels of land with an aggregate area of approximately 381 mu for bleaching and dyeing, and knitting capabilities and the waste water treatment plant will be further delayed.

## **Prospects**

The directors of the Company anticipate that the businesses of the Group will remain stable due to its stable customer orders. Facing with keen competition in the market, the Group will focus in implementing an effective control in production cost and improving its product quality in order to strengthen its competitiveness and bring a positive return to its shareholders.

As regard to the Huzhou Project, the directors will continue to keep track of the transfer of the remaining two parcels of land to the Group. When the land is transferred to the Group, construction works will be started as quickly as possible. The directors believe that the Huzhou Project will help the Group increase its production capacity, enrich its product portfolio and diversify its income sources.

## **Liquidity and Financial Resources**

During the year ended 31 March 2007, the Group financed its operations mainly by internally generated resources. As at 31 March 2007, the Group's total bank borrowings amounted to approximately HK\$6,038,000 (31 March 2006: approximately HK\$984,000), which were all short-term borrowings. All the loans are unsecured, denominated in US dollars and charged at prevailing market interest rates. The Group's borrowings are mostly event driven, with little seasonality. Shareholders' fund of the Group as at 31 March 2007 was approximately HK\$168,634,000 (31 March 2006: approximately HK\$175,028,000). The Group's gearing ratio, calculated based on the total borrowings to the shareholders' fund, was approximately 0.036 (31 March 2006: approximately 0.006).

The Group continued to sustain a liquidity position. As at 31 March 2007, the Group had net current assets of approximately HK\$54,031,000 (31 March 2006: approximately HK\$125,990,000) and cash and cash equivalents of approximately HK\$29,392,000 (31 March 2006: approximately HK\$110,018,000). The Group's cash and cash equivalents were mainly denominated in Hong Kong dollars and Renminbi. As at 31 March 2007, the Group's current ratio was approximately 2.5 (31 March 2006: approximately 13.0), which was calculated on the basis of current assets of approximately HK\$90,276,000 (31 March 2006: approximately HK\$136,503,000) to current liabilities of approximately HK\$36,245,000 (31 March 2006: approximately HK\$10,513,000). The drop in current ratio was primarily resulted from the substantial increase in total payables by approximately HK\$20,678,000 and the decrease in current assets due to no additional fund raised by issue of the Company's shares, whereas there was rights issue of shares completed in September 2005 with net proceeds of approximately HK\$140,300,000. During the year under review, the Group serviced its debts mainly through internally generated resources.

The directors believe that the Group has sufficient financial resources for its operations. We will remain cautious in the Group's liquidity management.

## **Exposure to Fluctuations in Exchange Rates and Related Hedges**

Most of the Group's revenues and payments are in Hong Kong dollars and Renminbi. During the year under review, the Group had no significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed.

## **Capital Structure**

As announced by the Company on 2 May 2006, the board of directors proposed, amongst others, (i) the increase in the authorised share capital of the Company from HK\$6,500,000 to HK\$200,000,000 by the creation of an additional 19,350,000,000 unissued shares of HK\$0.01 each (the "Increase in Authorised Share Capital"); and (ii) the issue of 3,534,367,716 bonus shares of HK\$0.01 each by way of capitalisation of an amount of approximately HK\$35,344,000 from the Company's share premium account on the basis of nine bonus shares for every share held (the "Bonus Issue").

Ordinary resolutions approving the Increase in Authorised Share Capital and the Bonus Issue were passed at the special general meeting of the Company held on 19 June 2006, resulting in an authorised share capital of HK\$200,000,000 comprising 20,000,000,000 shares of HK\$0.01 each and an issued share capital of HK\$39,270,752.40 consisting of 3,927,075,240 shares of HK\$0.01 each with effect from 19 June 2006 and 27 June 2006 respectively. Details of the Increase in Authorised Share Capital and the Bonus Issue are set out in the Company's circular dated 19 May 2006.

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

## **Material Acquisitions and Disposals**

The Company and Wits Basin Precious Minerals Inc. ("Wits Basin") have entered into a non-binding letter of intent dated 29 November 2006, and two non-binding heads of agreements dated 2 February 2007 and 30 March 2007, which may or may not lead to a possible merger (the "Possible Merger"). Details of the Possible Merger are set out in the Company's announcements dated 30 November 2006, 1 February 2007 and 6 February 2007, and the joint announcement of Easyknit International Holdings Limited and the Company dated 30 March 2007.

The Group had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2007.

## **Charges on Group Assets**

The Group did not have any charges on assets as at 31 March 2007.

## **Capital Expenditure and Capital Commitments**

During the year ended 31 March 2007, the Group spent approximately HK\$45,246,000 on acquisition of property, plant and equipment (2006: approximately HK\$4,094,000).

As at 31 March 2007, the Group had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK\$80,104,000 (31 March 2006: approximately HK\$26,807,000); and capital expenditure authorised but not contracted for of approximately HK\$347,771,000 (31 March 2006: approximately HK\$466,733,000).

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 31 March 2007 (31 March 2006: Nil).

### **Significant Investment**

As announced by the Company on 30 November 2006, the Company entered into a non-binding letter of intent on 29 November 2006 with SSC Mandarin Financial Services Limited which may or may not lead to a possible investment (the “Possible Investment”) in SSC-Sino Gold Consulting Co., Ltd. (“SSC Gold”). SSC Gold is a company incorporated in the PRC whose principal business is financial and investment services in gold industry. The Company had paid to an escrow agent a deposit of HK\$10,000,000, which would constitute part of the consideration for the Possible Investment if it proceeded. The parties have decided not to proceed with the Possible Investment and thus they have not entered into any binding contracts. The deposit has also been returned to the Company.

Apart from the Huzhou Project (as defined in “Business Review” above), the Group did not have any significant investment plans or any significant investment held as at 31 March 2007.

### **Future Plan for Material Investments**

While the directors of the Company are constantly looking for investment opportunities, no concrete new investment projects have been identified.

### **Suspension of Trading in Shares**

Trading in the Company’s shares on The Stock Exchange of Hong Kong Limited has been suspended at the request of the Company effective from 2:30 p.m. on 20 April 2007.

### **Employment and Remuneration Policy**

As at 31 March 2007, the Group employed approximately 280 full time management, technical, administrative staff and workers in Hong Kong and elsewhere in the PRC. Staff cost (including directors’ emoluments) amounted to approximately HK\$10,851,000 for the year under review (2006: approximately HK\$7,186,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has adopted the Mandatory Provident Fund Scheme for the Hong Kong employees and has made contributions to the stated-sponsored pension scheme operated by the PRC government for the PRC employees. The Group has a share option scheme to motivate valued employees.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2007.

## **REVIEW OF ANNUAL RESULTS**

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

## **CORPORATE GOVERNANCE**

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

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct in relation to directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

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

Hong Kong, 21 June 2007

*As at the date of this announcement, the Board comprises Mr. Tse Wing Chiu, Ricky, Ms. Lui Yuk Chu and Mr. Kwong Jimmy Cheung Tim as executive directors and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching as independent non-executive directors.*

\* *For identification only*

Please also refer to the published version of this announcement in The Standard.