



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 2008

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 2008, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	<i>NOTES</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	3	74,923	75,964
Cost of sales and services		<u>(65,721)</u>	<u>(74,717)</u>
Gross profit		9,202	1,247
Other income		1,742	2,667
Other expenses		(10,702)	(608)
Distribution costs		(384)	(424)
Administrative expenses		(15,063)	(15,084)
Write back of allowance for doubtful debts		494	2,446
Finance costs	4	<u>(268)</u>	<u>(153)</u>
Loss before taxation	5	(14,979)	(9,909)
Taxation	6	<u>(2,832)</u>	<u>(1,572)</u>
Loss for the year		<u>(17,811)</u>	<u>(11,481)</u>
Basic loss per share	7	<u>HK cent (0.4)</u>	<u>HK cent (0.3)</u>

**CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2008**

	<i>NOTES</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		102,831	66,836
Prepaid lease payments		40,667	31,642
Deposits for acquisition of property, plant and equipment		<u>17,725</u>	<u>16,125</u>
		<u>161,223</u>	<u>114,603</u>
Current assets			
Inventories		5,818	15,445
Trade and other receivables	8	25,698	44,783
Prepaid lease payments		857	656
Bank balances and cash		<u>139,753</u>	<u>29,392</u>
		<u>172,126</u>	<u>90,276</u>
Current liabilities			
Trade and other payables	9	26,000	24,453
Bills payable	10	1,818	4,146
Bank loans		—	6,038
Convertible note		33,750	—
Tax payable		<u>4,816</u>	<u>1,608</u>
		<u>66,384</u>	<u>36,245</u>
Net current assets		<u>105,742</u>	<u>54,031</u>
Net assets		<u><u>266,965</u></u>	<u><u>168,634</u></u>
Capital and reserves			
Share capital		58,906	39,271
Reserves		<u>208,059</u>	<u>129,363</u>
		<u><u>266,965</u></u>	<u><u>168,634</u></u>

NOTES

1. GENERAL

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

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) has applied, for the first time, the following new Standards, Amendments and Interpretations (“INTs”) (collectively “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 “Financial instruments: Presentation” has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised Standards or INTs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) - INT 12	Service concession arrangements ³
HK(IFRIC) - INT 13	Customer loyalty programmes ⁴
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction ³

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

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 January 2008.

⁴ Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment 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 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent'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 or revised Standards and INTs will have no material impact on the results or financial position of the Group.

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 2008

Consolidated income statement

	Bleaching and dyeing	Knitting	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
External	74,891	32	—	74,923
Inter-segment (<i>note</i>)	<u>—</u>	<u>8,455</u>	<u>(8,455)</u>	<u>—</u>
Total	<u>74,891</u>	<u>8,487</u>	<u>(8,455)</u>	<u>74,923</u>
Segment result	<u>(2,323)</u>	<u>(1,362)</u>	<u>—</u>	(3,685)
Interest income				756
Unallocated corporate expenses				(11,782)
Finance costs				<u>(268)</u>
Loss before taxation				(14,979)
Taxation				<u>(2,832)</u>
Loss for the year				<u>(17,811)</u>

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

For the year ended 31 March 2007

Consolidated income statement

	Bleaching and dyeing	Knitting	Eliminations	Consolidated
	<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.

Geographical segments

The Group's turnover is mainly derived from sales made to customers in Hong Kong with manufacturing operations located in the PRC. The Group's sales were mainly denominated and settled in Hong Kong dollars while the Group's purchases were over 50% denominated and settled in Hong Kong dollars.

4. FINANCE COSTS

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable		
within five years	40	153
Imputed interest on convertible note	<u>228</u>	<u>—</u>
	<u>268</u>	<u>153</u>

5. LOSS BEFORE TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Directors' remuneration	3,086	2,700
Other staff costs, including retirement benefits costs	<u>7,870</u>	<u>8,151</u>
Total staff costs	<u>10,956</u>	<u>10,851</u>
Amortisation of prepaid lease payments	762	301
Auditor's remuneration	887	726
Cost of inventories recognised as an expense	61,150	68,629
Depreciation	3,614	3,332
Loss on disposal of property, plant and equipment	20	127
Professional fees for the possible merger	9,135	—
and after crediting:		
Interest income	756	1,926
Write-back of allowance for inventories	<u>255</u>	<u>96</u>

6. TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The charge comprises:		
PRC enterprise income tax		
- current year	1,467	1,572
- underprovision in prior years	<u>1,365</u>	<u>—</u>
	<u>2,832</u>	<u>1,572</u>

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profit for both years.

Pursuant to Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises in the PRC, the Company's subsidiaries in the PRC are entitled to preferential tax treatment with full exemption from PRC enterprise income tax for two years starting from the first profitable year of operations, after offsetting all tax losses brought forward from the previous years (for a maximum period of five years), followed by a 50% reduction in tax rate for the next three years.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% for the Company's PRC subsidiaries since 1 January 2008.

7. BASIC LOSS PER SHARE

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss for the purposes of basic loss per share	<u>(17,811)</u>	<u>(11,481)</u>
Number of shares	2008	2007
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>4,264,299,415</u>	<u>3,872,881,602</u>

The denominator for the purposes of calculating basic loss per share for the year ended 31 March 2007 has been adjusted to reflect the rights issue on the basis of one rights share for every two ordinary shares held in January 2008.

No diluted loss per share for the year ended 31 March 2008 is computed for the conversion of the Company's outstanding convertible note since its exercise would result in a decrease in loss per share. In addition, there are no outstanding share options during both years.

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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	26,112	43,451
Less: Allowance for doubtful debts	<u>(1,245)</u>	<u>(1,763)</u>
	24,867	41,688
Prepayments	620	2,163
Other receivables	<u>211</u>	<u>932</u>
	<u>25,698</u>	<u>44,783</u>
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 - 60 days	7,616	10,026
61 - 90 days	5,536	10,655
Over 90 days	<u>11,715</u>	<u>21,007</u>
	<u>24,867</u>	<u>41,688</u>

9. TRADE AND OTHER PAYABLES

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 - 60 days	3,016	4,444
61 - 90 days	1,206	2,494
Over 90 days	<u>598</u>	<u>1,408</u>
Trade payables	4,820	8,346
Accruals	20,090	9,999
Other payables	<u>1,090</u>	<u>6,108</u>
	<u>26,000</u>	<u>24,453</u>

The average credit period on purchases of goods is 90 days.

10. BILLS PAYABLE

At 31 March 2008, the bills payable is aged within 120 days (2007: 120 days).

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 March 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31 March 2008, the Group recorded a turnover of approximately HK\$74,923,000, a decrease of approximately 1.4% over last year (2007: approximately HK\$75,964,000). Gross profit increased to approximately HK\$9,202,000 (2007: approximately HK\$1,247,000). Gross profit margin increased approximately 10.6%. Loss attributable to shareholders increased approximately 55.1% to approximately HK\$17,811,000 (2007: approximately HK\$11,481,000). Loss per share was approximately HK cent 0.4 (2007: approximately HK cent 0.3).

The loss for the year under review was primarily attributable to the payment of legal and professional fees of approximately HK\$9,135,000 in relation to the possible merger with Wits Basin Precious Minerals Inc., details of which are shown in section “Material Acquisitions and Disposals” below.

The cost of sales and services reduced approximately 12% to approximately HK\$65,721,000 (2007: approximately HK\$74,717,000), primarily due to reduction in quantity of sales, the success in controlling the cost of production, effort in streamlining the production process and improvement in the effectiveness of managing the Group’s resources.

Other income decreased by approximately 34.7% to approximately HK\$1,742,000 (2007: approximately HK\$2,667,000), mainly due to the decrease in interest income during the year.

The Group’s total operating expenses rose by approximately 62.3% to approximately HK\$26,149,000 (2007: approximately HK\$16,116,000), largely due to the increase in the legal and professional fees as a result of the payment in relation to the possible merger with Wits Basin Precious Minerals Inc. as mentioned above.

Finance costs increased approximately 75.2% to approximately HK\$268,000 (2007: approximately HK\$153,000), principally by reason of the imputed interest on the 1% HK\$37,650,000 convertible note due in March 2009, details of which are shown in section “Capital Structure” below.

Business Review

During the year ended 31 March 2008, 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 approximately 99.96% of the Group's total turnover for the year ended 31 March 2008 (2007: 100.0%). Turnover of this segment decreased slightly approximately 1.4% to approximately HK\$74,891,000 (2007: approximately HK\$75,964,000). This segment results recorded a loss of approximately HK\$2,323,000 (2007: approximately HK\$2,400,000). 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 of fabrics.

Knitting

External sales of approximately HK\$32,000 were recorded for the knitting business during the year under review (2007: nil). Taking into account the portion of inter-segment, the turnover derived from this segment rose by approximately 2.4% to approximately HK\$8,487,000 (2007: approximately HK\$8,292,000). The segment loss decreased from approximately HK\$2,334,000 to approximately HK\$1,362,000, mainly due to the more effective and efficient management of the Group's resources through controlling the cost of production and streamlining the production process. The knitting mill in Heyuan, the PRC has a daily production capacity of about 20,000 pounds of fabrics.

Geographical analysis

The Group's turnover is mainly derived from sales made to customers in Hong Kong with manufacturing operations located in the PRC.

Huzhou Project

The progress of the Group's project in Huzhou City, Zhejiang Province, the PRC (the "Huzhou Project") had made little progress because the Huzhou Government, due mainly to the PRC's ongoing macroeconomic adjustment and lack of funds to resite the farmers, was unable to deliver the possession of the remaining two parcels of land with an aggregate area of approximately 381 mu for our proposed bleaching and dyeing, and knitting capabilities, though during the year a further land use right certificate for a further 115 mu of land, which was marked for the use of the knitting operation, was granted. Negotiation is being carried out with the Huzhou Government

for a grant of the land use right certificate of land marked for the bleaching and dyeing operation, as well as the actual delivery of the aggregate area of 381 mu of land and/or a revision of the contractual terms to the benefit of the Group as the delay was entirely due to the Huzhou Government.

Construction work on the approximately 251 mu land granted and delivered for the garment manufacturing operation is continuing as scheduled and is expected to be finished by November to enable commercial use.

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 sharpening its competitiveness with a view to bring up a better 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 2008, the Group financed its operations mainly by internally generated resources, and the net proceeds of approximately HK\$100 million and HK\$37 million raised from the Rights Issue and the Convertible Note respectively, details of the Rights Issue and the Convertible Note are shown in section “Capital Structure” below. The raised fund is for financing the Huzhou Project and general working capital. As at 31 March 2008, the Group had no outstanding bank borrowings (31 March 2007: approximately HK\$6,038,000). Shareholders’ funds of the Group as at 31 March 2008 was approximately HK\$266,965,000 (31 March 2007: approximately HK\$168,634,000). The Group’s gearing ratio, calculated based on the total borrowings and the liability component of convertible note of approximately HK\$33,750,000 at 31 March 2008 (31 March 2007: nil) to the shareholders’ funds, was 0.126 (31 March 2007: approximately 0.036).

The Group continued to sustain a liquidity position. As at 31 March 2008, the Group had net current assets of approximately HK\$105,742,000 (31 March 2007: approximately HK\$54,031,000) and cash and cash equivalents of approximately HK\$139,753,000 (31 March 2007: approximately HK\$29,392,000). The Group's cash and cash equivalents were mainly denominated in Hong Kong dollars and Renminbi. As at 31 March 2008, the Group's current ratio was approximately 2.6 (31 March 2007: approximately 2.5), which was calculated on the basis of current assets of approximately HK\$172,126,000 (31 March 2007: approximately HK\$90,276,000) to current liabilities of approximately HK\$66,384,000 (31 March 2007: approximately HK\$36,245,000). 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. The directors 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. The directors considered the risk of exposure to currency fluctuations to be minimal.

Capital Structure

On 21 January 2008, the Company allotted 1,963,537,620 rights shares of HK\$0.01 each at a subscription price of HK\$0.052 per rights share on the basis of one rights share for every two shares held (the "Rights Issue"). Details of the Rights Issue are set out in the Company's prospectus dated 31 December 2007.

On 28 February 2008, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Chen Tien Tui (the "Subscriber") pursuant to which the Subscriber had agreed to subscribe for the convertible note with a principal amount of HK\$37,650,000 (the "Convertible Note") at the initial conversion price of HK\$0.048 per conversion share (the "Initial Conversion Price"). The maturity date of the Convertible Note is one year after its issuance. Interest at 1% per annum will be paid semi-annually in arrears. Completion of the Subscription Agreement and issuance of the Convertible Note had taken place on 12 March 2008. Details of the Convertible Note are set out in the Company's announcements dated 3 and 12 March 2008.

During the period between April and June 2008, the Subscriber had converted the whole of the principal amount of the Convertible Note of HK\$37,650,000 at the Initial Conversion Price. As a result of the conversion, a total of 784,375,000 ordinary shares of HK\$0.01 each in the share capital of the Company had been allotted and duly issued.

The Group had no debt securities or other capital instruments as at 31 March 2008, except the Convertible Note mentioned above and up to the date of this announcement.

Material Acquisitions and Disposals

In November 2006, the Group was approached by Wits Basin Precious Minerals Inc., (“Wits Basin”), a company incorporated in Minnesota, the United States of America (“USA”) whose principal business is the exploration and development of minerals in Mexico, Colorado and South Africa, for preliminary discussion in respect of a possible merger between the Group and Wits Basin. After several meetings with the key management of Wits Basin, the directors were of the view that the possible merger is in the best interest of the Company and its shareholders as a whole as it would allow the Group to diversify its business interests into mining, a sector in which the Group foresee attractive growth prospects, and reduce its reliance on its current business which operate in a highly-competitive environment with no significant barriers to entry.

On 2 February 2007, the Company and its wholly-owned subsidiary Race Merger, Inc. (“Race Merger”) entered into a conditional merger agreement (the “Merger Agreement”) with Wits Basin in respect of possible merger between the Group and Wits Basin (the “Possible Merger”). It was intended that the Possible Merger might involve an issue of approximately 3,345,286,315 shares of the Company (in form of American Depositary Shares) to the shareholders of Wits Basin in consideration of the transfer of all their shares in Wits Basin to the Group. Under the Merger Agreement, a break up fee of US\$30,000,000 is required to be paid by the defaulting party to the non-defaulting party if the former is in breach of any representation, warranty, covenant set forth in the Merger Agreement which results in the latter to terminate the Merger Agreement. In addition, the defaulting party is required to reimburse the non-defaulting party 100% of its reasonable legal expenses up to US\$500,000 actually incurred by it in connection with the Possible Merger.

On 15 August 2007, Wits Basin filed a declaratory judgement action in the District Court of the State of Minnesota against the Company and Race Merger pursuant to which Wits Basin seeks a declaration by the court that Wits Basin is entitled to terminate the Merger Agreement on the alleged grounds that there has been a material adverse change in the financial condition of the Group and the due diligence on the Group was not satisfactory. Wits Basin’s claim was amended on 30 August 2007 to particularise their claim for alleged damages for the Group on the ground that the Group did not grant Wits Basin’s request for consent to Wits Basin’s proposed commercial transaction. The Group did not grant Wits Basin the said request for consent because Wits Basin failed to supply the Group with the necessary relevant information in relation to the proposed commercial transaction which the Group’s United States lawyers has advised to be necessary before any granting of consent by the Group.

On 1 November 2007, the Group received a notice of termination of the Merger Agreement from Wits Basin's lawyers based on the aforesaid grounds. Based on the legal advice received from the Group's lawyers in the USA, the directors are of the view that Wits Basin's alleged grounds of termination of the Merger Agreement are without merit. The directors has instructed lawyers in the USA to advise them on the Wits Basin's claims and to claim from Wits Basin the break up fee of US\$30,000,000, and also that all obligations under the Merger Agreement on the part of the Company and Race Merger have been discharged.

On 19 December 2007, the Company and Race Merger entered into a settlement agreement and general release ("Settlement and Release") with Wits Basin, pursuant to which the Merger Agreement was terminated and the Possible Merger with Wits Basin will not proceed. The major terms of the Settlement and Release are summarised below:

- (a) The parties agree to dismiss the litigation previously started by Wits Basin on 15 August 2007 (the "Lawsuit"), including all claims, counterclaims, and defences, with prejudice and on the merits, without further costs or fees to any party;
- (b) The parties agree that all written or oral agreements entered into between the parties prior to the execution of the Settlement and Release, including the Merger Agreement, are deemed terminated;
- (c) Wits Basin, for itself and its officers, directors and shareholders, fully releases, acquits and discharges the Company and Race Merger and their predecessors, successors, parents, subsidiaries, representatives, attorneys, directors, officers, agents or insurers, of any and all claims, liabilities, causes of action, damages, costs, attorneys' fees, expenses, and compensation that Wits Basin may have in connection with the Lawsuit or the Merger Agreement; and
- (d) The Company and Race Merger for themselves and their officers, directors, and shareholders, fully release, acquit and discharge Wits Basin and its predecessors, successors, parents, subsidiaries, representatives, attorneys, directors, officers, agents or insurers, of any and all claims, liabilities, causes of action, damages, costs, attorneys' fees, expenses, and compensation that the Company and/or Race Merger may have in connection with the Lawsuit or the Merger Agreement.

Details of the Possible Merger and the Settlement and Release were set out in the Company's announcements dated 30 November 2006, 1 February 2007, 6 February 2007, 30 March 2007, 17 July 2007, 20 August 2007, 6 November 2007 and 19 December 2007.

The Group had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2008.

Charges on Group Assets

The Group did not have any charges on assets as at 31 March 2008.

Capital Expenditure and Capital Commitments

During the year ended 31 March 2008, the Group spent approximately HK\$35,182,000 on acquisition of property, plant and equipment (2007: approximately HK\$45,246,000).

As at 31 March 2008, the Group had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK\$45,654,000 (31 March 2007: approximately HK\$80,104,000); and capital expenditure authorised but not contracted for of approximately HK\$384,636,000 (31 March 2007: approximately HK\$347,771,000).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2008 (31 March 2007: Nil).

Significant Investment

Apart from Huzhou Project, details of which are shown in section “Business Review” above, the Group did not have any significant investment plans or any significant investment held as at 31 March 2008.

Future Plan for Material Investments

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

Employment and Remuneration Policy

As at 31 March 2008, the Group employed approximately 185 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors’ emoluments) amounted to approximately HK\$10,956,000 for the year under review (2007: approximately HK\$10,851,000). 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 2008.

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 2008.

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 2008 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 2007.

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 2008 which will be despatched to the shareholders of the Company in July 2008.

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 2008.

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

Hong Kong, 23 June 2008

As at 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. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching as independent non-executive directors.

* *For identification only*