



# Easyknit Enterprises Holdings Limited

永義實業集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock code: 616)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board of directors (the “Board”) of Easyknit Enterprises Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2008, together with comparative figures for the corresponding period in 2007.

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

		Six months ended	
		30 September	
	NOTES	2008	2007
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	23,875	38,443
Cost of sales and services		<u>(25,769)</u>	<u>(36,685)</u>
Gross (loss) profit		(1,894)	1,758
Other income		1,143	999
Distribution costs		(301)	(213)
Administrative expenses		(7,614)	(7,251)
Other expenses		(1,236)	(8,201)
Allowance for doubtful debts		(4,232)	—
Finance costs		<u>(475)</u>	<u>(39)</u>
Loss before taxation	4	(14,609)	(12,947)
Taxation	5	<u>(796)</u>	<u>—</u>
Loss for the period		<u><u>(15,405)</u></u>	<u><u>(12,947)</u></u>
Basic loss per share	6	<u>HK cents (23.7)</u>	<u>HK cents (33.0)</u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AT 30 SEPTEMBER 2008**

	<i>NOTES</i>	<b>30 September 2008</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 March 2008</b> <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		123,400	102,831
Prepaid lease payments		41,230	40,667
Deposits for acquisition of property, plant and equipment		<u>18,161</u>	<u>17,725</u>
		<u>182,791</u>	<u>161,223</u>
Current assets			
Inventories		9,478	5,818
Trade and other receivables	7	25,969	25,698
Prepaid lease payments		878	857
Pledged deposit		10,000	—
Bank balances and cash		<u>95,457</u>	<u>139,753</u>
		<u>141,782</u>	<u>172,126</u>
Current liabilities			
Trade and other payables	8	24,279	26,000
Bills payable	9	5,335	1,818
Convertible note		—	33,750
Tax payable		<u>5,734</u>	<u>4,816</u>
		<u>35,348</u>	<u>66,384</u>
Net current assets		<u>106,434</u>	<u>105,742</u>
Net assets		<u>289,225</u>	<u>266,965</u>
Capital and reserves			
Share capital		667	58,906
Reserves		<u>288,558</u>	<u>208,059</u>
		<u>289,225</u>	<u>266,965</u>

## NOTES

### 1. 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 “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

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

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 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations (“new Amendments and Interpretations”) issued by the HKICPA which are effective for the Group’s financial period beginning 1 April 2008.

HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new Amendments and Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

### 3. SEGMENT INFORMATION

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 basis on which the Group reports its primary segment information.

#### For the six months ended 30 September 2008

	<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	23,789	86	—	23,875
Inter-segment (note)	<u>—</u>	<u>16,242</u>	<u>(16,242)</u>	<u>—</u>
Total	<u>23,789</u>	<u>16,328</u>	<u>(16,242)</u>	<u>23,875</u>
Segment results	<u>(9,454)</u>	<u>(910)</u>	<u>—</u>	(10,364)
Interest income				1,119
Unallocated corporate expenses				(4,889)
Finance costs				<u>(475)</u>
Loss before taxation				(14,609)
Taxation				<u>(796)</u>
Loss for the period				<u>(15,405)</u>

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

**For the six months ended 30 September 2007**

	<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	38,411	32	—	38,443
Inter-segment (note)	<u>—</u>	<u>4,565</u>	<u>(4,565)</u>	<u>—</u>
Total	<u>38,411</u>	<u>4,597</u>	<u>(4,565)</u>	<u>38,443</u>
Segment results	<u>(692)</u>	<u>(683)</u>	<u>—</u>	(1,375)
Interest income				213
Unallocated corporate expenses				(11,746)
Finance costs				<u>(39)</u>
Loss for the period				<u>(12,947)</u>

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

**4. LOSS BEFORE TAXATION**

<b>Six months ended</b>	
<b>30 September</b>	
<b>2008</b>	<b>2007</b>
<i>HK\$'000</i>	<i>HK\$'000</i>

Loss before taxation has been arrived at after charging:

Depreciation	1,842	1,786
Professional fees for a possible merger (note)	—	8,201
Total staff costs (including directors' emoluments)	<u>4,776</u>	<u>5,736</u>

Note:

The Company included in note 27 of the Group's annual financial statements for the year ended 31 March 2007, details of, among others, a possible merger involving Wits Basin Precious Minerals Inc. ("Wits Basin") resulting from a non-binding letter of intent dated 29 November 2006 and two subsequent non-binding heads of agreements. Wits Basin is a company incorporated in Minnesota, the United States of America whose principal business was the exploration and development of minerals in Mexico, Colorado and South Africa.

There were subsequent litigations between the Group and Wits Basin. On 19 December 2007, the Group entered into a settlement agreement and general release (the "Settlement and Release") to terminate the possible merger and litigations with Wits Basin. Details of these are included in note 29 of the Group's annual financial statements for the year ended 31 March 2008.

Professional fees incurred during the six months ended 30 September 2007 in relation to the possible merger and the Settlement and Release amounted to HK\$8,201,000, which have been charged to the consolidated income statement during that period and included in other expenses.

## 5. TAXATION

<b>Six months ended</b>	
<b>30 September</b>	
<b>2008</b>	<b>2007</b>
<i>HK\$'000</i>	<i>HK\$'000</i>

The charge comprises:

PRC enterprise income tax		
- current period	<u>796</u>	<u>—</u>

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

Pursuant to Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises in Mainland China (the “PRC”), the Company’s subsidiaries in the PRC are entitled to preferential tax treatment with full exemption from the 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 changed the tax rate to 25% for the Company’s PRC subsidiaries since 1 January 2008.

## 6. BASIC LOSS PER SHARE

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

<b>Six months ended</b>		
<b>30 September</b>		
<b>2008</b>	<b>2007</b>	
<i>HK\$'000</i>	<i>HK\$'000</i>	
Loss for the purposes of basic loss per share	<u>(15,405)</u>	<u>(12,947)</u>
	<b>Number of shares</b>	
Weighted average number of shares for the purposes of basic loss per share	<u>65,011,144</u>	<u>39,270,752</u>

The denominator for the purposes of calculating basic loss per share for the six months ended 30 September 2007 has been adjusted to reflect the consolidation of shares on the basis that 100 shares were consolidated into one share in September 2008.

## 7. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of up to 60 days to its customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	<b>30 September 2008</b>	<b>31 March 2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	10,640	7,616
61 - 90 days	3,685	5,536
Over 90 days	<u>9,559</u>	<u>11,715</u>
Trade receivables	23,884	24,867
Prepayments	334	620
Other receivables	<u>1,751</u>	<u>211</u>
	<u>25,969</u>	<u>25,698</u>

## 8. TRADE AND OTHER PAYABLES

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

	<b>30 September 2008</b>	<b>31 March 2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	5,245	3,016
61 - 90 days	163	1,206
Over 90 days	<u>27</u>	<u>598</u>
Trade payables	5,435	4,820
Accruals	18,087	20,090
Other payables	<u>757</u>	<u>1,090</u>
	<u>24,279</u>	<u>26,000</u>

## 9. BILLS PAYABLE

At the balance sheet date, all bills payable were aged within 120 days.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

During the six month ended 30 September 2008, the Group recorded a turnover of approximately HK\$23,875,000 (six months ended 30 September 2007: approximately HK\$38,443,000), representing a decrease of approximately 37.9% from the same period last year. The cost of sales reduced by approximately 29.8% to approximately HK\$25,769,000 (six months ended 30 September 2007: approximately HK\$36,685,000). The Group recorded a gross loss of approximately HK\$1,894,000 (six months ended 30 September 2007: gross profit of approximately HK\$1,758,000). The gross loss was due to the increase in fixed production cost per unit as a result of decrease in sales and the increase in direct material costs during the period.

Loss attributable to shareholders increased approximately 19.0% to approximately HK\$15,405,000 (six months ended 30 September 2007: approximately HK\$12,947,000). Loss per share for the period was approximately HK cents 23.7 (six months ended 30 September 2007: approximately HK cents 33.0).

The Group's total operating expenses reduced to approximately HK\$9,151,000 as compared to the same period last year of HK\$15,665,000. The reduction of approximately 41.6% was mainly due to the provision made for legal and professional fees of approximately HK\$8,201,000 in relation to the proposed merger with Wits Basin Precious Minerals Inc., a company incorporated in the United States of America, in the last corresponding period, but no such expenses was incurred for this period.

Finance costs was increased approximately 1,117.9% to approximately HK\$475,000 (six months ended 30 September 2007: approximately HK\$39,000) 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**

The bleaching and dyeing business continued to be the principal business of the Group and contributed to approximately 99.6% of the Group's total turnover during the period under review, whereas the knitting business accounted for the remaining approximately 0.4% of the total turnover of the Group.

Turnover for the bleaching and dyeing business reduced by approximately 38.1% to approximately HK\$23,789,000 (six months ended 30 September 2007: approximately HK\$38,411,000). This segment suffered a loss of approximately HK\$9,454,000 (six months ended 30 September 2007: HK\$692,000). The loss from this segment were due to the increase in fixed production cost per unit as a result of decrease in sales, the increase in direct material costs and the allowance of doubtful debts of approximately HK\$4,232,000 made during the period.

The knitting business contributed approximately HK\$86,000 to the Group's total turnover for the period under review (six months ended 30 September 2007: approximately HK\$32,000). Taking into account the portion of inter-segment sales, the turnover derived from this business rose by 255.2% to approximately HK\$16,328,000 (six months ended 30 September 2007: approximately HK\$4,597,000). Loss from this segment increased to approximately HK\$910,000 as compared to approximately HK\$683,000 for the same period in last year. The increase was due to the rise in the price of cotton yarn, a raw material for knitting production, during the period under review.

### **Geographical analysis**

During the period, the Group's turnover was mainly derived from sales made to customers in Hong Kong with manufacturing operations located in the PRC.

### **Development on the Huzhou Project**

Construction work on the approximately 251 mu land granted and delivered for the garment manufacturing operation is substantially finished and is waiting for the government authority to grant the completion certificate.

The Huzhou Government has now indicated that it will be able 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, as well as the land use right certificate for the bleaching and dyeing operation. Negotiation is still being carried out with the Huzhou Government for a revision of the contractual terms to the benefit of the Group as the previous delay was entirely due to the Huzhou Government.

### **Prospects**

The directors of the Company anticipate that the businesses of the Group will feel the impact of a declining market. Facing with present worldwide adverse financial condition, the Group will focus in implementing more effective control in production cost and improving its product quality in order to serve the customers which have continued to place orders with the Group.

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. Notwithstanding the problems occasioned by the long delay on the part of the Huzhou Government in delivering the land to the Group and the downturn in the global economy, the Group is still minded to pursue the plans of the Huzhou Project but shall not excluded other options, which will be of benefit to the Group in the forthcoming negotiation with the Huzhou Government, especially after the property ownership certificate is granted and the existing garment manufacturing premises can be put to commercial use.

### **Liquidity and Financial Resources**

During the six months ended 30 September 2008, the Group financed its operations mainly by internally generated resources. Shareholders' funds of the Group as at 30 September 2008 was approximately HK\$289,225,000 (31 March 2008: approximately HK\$266,965,000). As the Group had no bank borrowings and convertible note as at 30 September 2008 (31 March 2008: liability component of convertible note of HK\$33,750,000), no gearing ratio of the Group was presented (31 March 2008: 0.126).

The Group continued to sustain a liquidity position. As at 30 September 2008, the Group had net current assets of approximately HK\$106,434,000 (31 March 2008: approximately HK\$105,742,000) and cash and cash equivalents of approximately HK\$95,457,000 (31 March 2008: approximately HK\$139,753,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and Renminbi. As at 30 September 2008, the Group's current ratio was approximately 4.0 (31 March 2008: approximately 2.6), which was calculated on the basis of current assets of approximately HK\$141,782,000 (31 March 2008: approximately HK\$172,126,000) to current liabilities of approximately HK\$35,348,000 (31 March 2008: approximately HK\$66,384,000). The rise in the current ratio was primarily due to the decrease in current liabilities by approximately HK\$31,036,000. During the period 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 period 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 on 3 and 12 March 2008, the Company issued a convertible note with a principal amount of HK\$37,650,000 to Mr. Chen Tien Tui at the initial conversion price of HK\$0.048 per share. Interest rate is at 1% per annum payable semi-annually in arrears. Maturity date is one year after the issuance.

During the period between April and June 2008, the whole of the principal amount of the convertible note of HK\$37,650,000 had been converted at the initial conversion price. As a result of the conversion, a total of 784,375,000 shares were allotted and duly issued.

At the special general meeting of the Company held on 22 September 2008, a special resolution approving the capital reorganisation (as detailed below) was passed and the capital reorganisation became effective on 23 September 2008.

- (a) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.0099 on each issued share such that the nominal value of all the issued shares will be reduced from HK\$0.01 each to HK\$0.0001 each (the “Issued Capital Reduction”);
- (b) the reduction of the nominal value of all shares in the authorised share capital of the Company from HK\$0.01 each to HK\$0.0001 each, resulting in the reduction of the authorised share capital from HK\$200,000,000 to HK\$2,000,000 divided into 20,000,000,000 shares of HK\$0.0001 each (the “Authorised Capital Reduction”);
- (c) the consolidation of every one hundred (100) issued and unissued shares of HK\$0.0001 each in the issued and unissued share capital of the Company (the “Share Consolidation”) into one (1) share of HK\$0.01 each (“Consolidated Share”);
- (d) the increase of the authorised share capital of the Company from HK\$2,000,000 divided into 200,000,000 Consolidated Shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Consolidated Shares of HK\$0.01 each by the creation of 19,800,000,000 new Consolidated Shares (the “Authorised Capital Increase”); and
- (e) the transfer of the credit amount arising from the Issued Capital Reduction to the contributed surplus account of the Company and the application of the sum of HK\$66,082,401 in the contributed surplus account of the Company to set off against part of the accumulated losses of the Company, which amounted to HK\$131,747,676.06 as at 31 March 2008.

Further details of the above capital reorganisation are set out in the Company's circular dated 29 August 2008.

On 5 November 2008, the Company entered into an underwriting agreement in relation to the proposed rights issue of 667,499,000 rights shares at the subscription price of HK\$0.15 per rights share on the basis of ten rights shares for every existing share held. Details of the proposed rights issue are set out in the Company's announcement dated 12 November 2008.

Save as disclosed above, the Group had no debt securities or other capital instruments as at 30 September 2008 and up to the date of this announcement.

### **Material Acquisitions and Disposals**

The Group had no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2008.

### **Charges on Group Assets**

Except for the pledged deposit of HK\$10,000,000 as shown in the condensed consolidated balance sheet at 30 September 2008, the Group did not have any other charges on assets as at 30 September 2008.

### **Capital Expenditure and Capital Commitments**

During the six months ended 30 September 2008, the Group spent approximately HK\$20,354,000 on acquisition of property, plant and equipment (six months ended 30 September 2007: approximately HK\$21,421,000).

As at 30 September 2008, the Group had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK\$26,101,000 (31 March 2008: approximately HK\$45,654,000); and capital expenditure authorised but not contracted for of approximately HK\$394,524,000 (31 March 2008: approximately HK\$384,636,000).

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 September 2008 (31 March 2008: nil).

### **Significant Investment**

Apart from the Huzhou Project, the Group did not have any significant investment plans or any significant investment held as at 30 September 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 30 September 2008, the Group employed approximately 170 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors' emoluments) amounted to approximately HK\$4,776,000 for the period under review (six months ended 30 September 2007: approximately HK\$5,736,000). 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 OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2008.

## **EXECUTIVE COMMITTEE**

The Executive Committee currently comprises all the executive directors of the Company, namely Mr. Kwong Jimmy Cheung Tim (Committee Chairman) and Ms. Lui Yuk Chu. 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 management performance.

## **AUDIT COMMITTEE**

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Kan Ka Hon (Committee Chairman), Mr. Lau Sin Ming, and Mr. Foo Tak Ching. The Audit Committee has reviewed with management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2008.

## **REMUNERATION COMMITTEE**

The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Lau Sin Ming (Committee Chairman), Mr. Kan Ka Hon and Mr. Foo Tak Ching. The Remuneration Committee makes recommendations to the Board on the Company's policy and structure for all remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES IN THE LISTING RULES**

During the six months ended 30 September 2008, the Company complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") set out in the Appendix 14 to the Listing Rules except the following deviations:

### **Code Provision A.2.1**

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

Mr. Kwong Jimmy Cheung Tim is the Chairman and Chief Executive Officer of the Company. The Board considers that the combination of the roles of Chairman and Chief Executive Officer will not impair the balance of power and authority between the Board and the management of the Company as the Board will meet regularly to consider major matters affecting the operations of the Group. The Board is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently. As such, it is beneficial to the business prospects of the Group.

### **Code Provision A.4.1**

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

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

## **Code Provision A.4.2**

According to the Special Act of the Company (the “Act”), no director holding the office of Chairman or Managing Director shall be subject to retirement by rotation as provided in the Bye-Laws of the Company. As it is bound by the provisions of the Act, the Bye-Laws of the Company cannot be amended to fully fulfil the requirements of the Code in this regard.

## **Code Provisions B.1.3(a) and (b)**

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the Code Provision B.1.3 except that the Remuneration Committee should make recommendations to the Board on the Company’s policy and structure for all remuneration of directors only (contrary to directors and senior management under the Code Provision B.1.3(a)); and should review (contrary to determine under the Code provision B.1.3(b)) and make recommendations to the Board on the remuneration packages of executive directors only (contrary to executive directors and senior management under the Code Provisions B.1.3(b)).

The reasons for the above deviations are set out on page 12 of the Company’s annual report for the financial year ended 31 March 2008.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS SET OUT IN APPENDIX 10 TO THE LISTING RULES**

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 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 2008.

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

Hong Kong, 1 December 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*