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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 2009

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 2009, together with comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

		Six months ended 30 September	
	NOTES	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	3	15,345	23,875
Cost of sales and services		<u>(17,778)</u>	<u>(25,769)</u>
Gross loss		(2,433)	(1,894)
Other income		612	1,143
Distribution costs		(133)	(301)
Administrative expenses		(8,773)	(7,614)
Other expenses		(143)	(1,236)
Write back of allowance for (allowance for) doubtful debts		57	(4,232)
Gain arising on fair value change of investment properties		301	—
Gain arising from fair value change of investments held for trading		643	—
Impairment loss recognised in respect of property, plant and equipment		(5,338)	—
Finance costs		<u>—</u>	<u>(475)</u>
Loss before taxation	4	(15,207)	(14,609)
Taxation	5	(760)	(796)
Loss for the period		(15,967)	(15,405)
Exchange differences arising on translation of foreign operations		<u>—</u>	<u>3,501</u>
Total comprehensive income for the period		<u>(15,967)</u>	<u>(11,904)</u>
Basic loss per share	6	<u>HK cents (19.7)</u>	<u>HK cents (166)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2009**

	<i>NOTES</i>	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		98,720	106,999
Investment properties		96,000	—
Prepaid lease payments		40,480	40,921
Deposits for acquisition of property, plant and equipment		38	38
		<u>235,238</u>	<u>147,958</u>
Current assets			
Inventories		3,740	6,008
Trade and other receivables	7	59,790	64,346
Prepaid lease payments		881	881
Investments held for trading		—	4,056
Pledged bank deposits		10,000	10,000
Bank balances and cash		51,148	154,870
		<u>125,559</u>	<u>240,161</u>
Current liabilities			
Trade and other payables	8	13,355	23,732
Bills payable	9	—	1,739
Tax payable		6,612	6,068
		<u>19,967</u>	<u>31,539</u>
Net current assets		<u>105,592</u>	<u>208,622</u>
		<u>340,830</u>	<u>356,580</u>
Capital and reserves			
Share capital		7,342	7,342
Reserves		333,271	349,238
		<u>340,613</u>	<u>356,580</u>
Non-current liabilities			
Deferred taxation		217	—
		<u>340,830</u>	<u>356,580</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. SIGNIFICANT 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 2009, except for the adoption of accounting policy for investment properties as follows:

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure, except for the properties transferred from property, plant and equipment, which are measured at fair value at the date of transfer. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2009.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard and has not resulted in a redesignation of the Group's reportable segments (see note 3).

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related party disclosures ³
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁵
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁶
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) - INT 18	Transfers of assets from customers ⁷

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

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

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

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 January 2010.

⁶ Effective for annual periods beginning on or after 1 January 2013.

⁷ Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the chief executive officer, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. The Group’s primary reporting format was business segments comprising three main operating divisions - bleaching and dyeing, knitting and property investment. The directors of the Company consider that the adoption of HKFRS 8 has not changed the identified operating segments for the Group compared to the annual financial statements for the year ended 31 March 2009.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the chief executive officer. The chief executive officer assesses segment profit or loss using a measure of operating profit. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the segment results of the operating segments (gain arising from fair value change of investments held for trading, income tax expenses and corporate income and expenses).

For the six months ended 30 September 2009

	Bleaching and dyeing	Knitting	Property investment	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover					
External	15,000	223	122	—	15,345
Inter-segment	—	7,268	—	(7,268)	—
	<u>15,000</u>	<u>7,491</u>	<u>122</u>	<u>(7,268)</u>	<u>15,345</u>
Total	<u>15,000</u>	<u>7,491</u>	<u>122</u>	<u>(7,268)</u>	<u>15,345</u>
Segment results	<u>(3,417)</u>	<u>(7,109)</u>	<u>416</u>	<u>—</u>	<u>(10,110)</u>
Gain arising from fair value change of investments held for trading					643
Unallocated corporate expenses					<u>(5,740)</u>
Loss before taxation					(15,207)
Taxation					<u>(760)</u>
Loss for the period					<u>(15,967)</u>

For the six months ended 30 September 2008

	Bleaching and dyeing	Knitting	Property investment	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover					
External	23,789	86	—	—	23,875
Inter-segment	—	16,242	—	(16,242)	—
	<u>23,789</u>	<u>16,242</u>	<u>—</u>	<u>(16,242)</u>	<u>23,875</u>
Total	<u>23,789</u>	<u>16,328</u>	<u>—</u>	<u>(16,242)</u>	<u>23,875</u>
Segment results	<u>(9,379)</u>	<u>(910)</u>	<u>—</u>	<u>—</u>	(10,289)
Unallocated corporate expenses					(3,845)
Finance costs					(475)
Loss before taxation					(14,609)
Taxation					(796)
Loss for the period					<u>(15,405)</u>

4. LOSS BEFORE TAXATION

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Allowance for inventories (included in cost of sales)	821	—
Amortisation of prepaid lease payments	440	437
Depreciation of property, plant and equipment	2,162	1,842
Total staff costs (including directors' emoluments)	<u>4,471</u>	<u>4,776</u>

5. TAXATION

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	118	—
PRC enterprise income tax	425	796
	<u>543</u>	<u>796</u>
Deferred tax	217	—
	<u>217</u>	<u>—</u>
Tax charge attributable to the Company and its subsidiaries	760	796
	<u>760</u>	<u>796</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2008 as the Company and its subsidiaries had no assessable profit for that period.

PRC enterprise income tax is calculated at 25% for the Company's subsidiaries operating in the People's Republic of China ("PRC").

6. BASIC LOSS PER SHARE

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

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the purposes of basic loss per share	(15,967)	(15,405)
	<u>(15,967)</u>	<u>(15,405)</u>
	Number of shares	
Weighted average number of shares for the purposes of basic loss per share	80,958,284	9,279,143
	<u>80,958,284</u>	<u>9,279,143</u>

The denominator for the purpose of calculating basic loss per share for the six months ended 30 September 2009 has been adjusted to reflect the consolidation of shares in October 2009 on the basis of ten shares being consolidated into one share and the rights issue in November 2009 on the basis of four rights shares for every ordinary share.

The denominator for the purpose of calculating basic loss per share for the six months ended 30 September 2008 has been adjusted to reflect the rights issue in January 2009 on the basis of ten rights shares for every ordinary share, the consolidation of shares in October 2009 on the basis of ten shares being consolidated into one share and the rights issue in November 2009 on the basis of four rights shares for every ordinary share.

7. 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 end of the reporting period is as follows:

	30 September 2009 <i>HK\$'000</i>	31 March 2009 <i>HK\$'000</i>
0 - 60 days	4,752	15,259
61 - 90 days	1,512	2,905
Over 90 days	35,254	27,731
Trade receivables	41,518	45,895
Prepayments	167	210
Refundable deposit in respect of construction of equipment	17,967	17,967
Other receivables	138	274
	<u>59,790</u>	<u>64,346</u>

8. TRADE AND OTHER PAYABLES

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

	30 September 2009 <i>HK\$'000</i>	31 March 2009 <i>HK\$'000</i>
0 - 60 days	1,330	7,201
61 - 90 days	82	880
Over 90 days	140	45
Trade payables	1,552	8,126
Accruals	10,202	15,106
Rental deposits received	720	—
Other payables	881	500
	<u>13,355</u>	<u>23,732</u>

9. BILLS PAYABLE

At 30 September 2009, there were no outstanding bills payable. At 31 March 2009, all bills payable were aged within 30 days.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the six month ended 30 September 2009, the Group recorded a turnover of approximately HK\$15,345,000 (six months ended 30 September 2008: approximately HK\$23,875,000), representing a decrease of approximately 35.7% from the same period last year. The cost of sales reduced by approximately 31.0% to approximately HK\$17,778,000 (six months ended 30 September 2008: approximately HK\$25,769,000). The Group recorded a gross loss of approximately HK\$2,433,000 (six months ended 30 September 2008: gross loss of approximately HK\$1,894,000). The gross loss was again due to the increase in fixed production cost per unit as a result of decrease in sales and the allowance for inventories of approximately HK\$821,000.

The Group's total operating expenses reduced to approximately HK\$9,049,000 as compared to the same period last year of approximately HK\$9,151,000. No finance cost was recorded for the six months ended 30 September 2009 (six months ended 30 September 2008: HK\$475,000).

Loss attributable to shareholders increased approximately 3.6% to approximately HK\$15,967,000 (six months ended 30 September 2008: approximately HK\$15,405,000). The loss was mainly due to decrease in sales and the impairment of approximately HK\$5,338,000 made on recognising the decrease in recoverable amount of the manufacturing assets of the Group (six months ended 30 September 2008: Nil). Loss per share for the period was approximately HK cents 19.7 (six months ended 30 September 2008: approximately HK cents 166).

Business Review

The bleaching and dyeing business continued to be the principal business of the Group and contributed to approximately 97.8% of the Group's total turnover during the period under review, whereas the knitting business accounted for approximately 1.4% and the new segment of property investment accounted for the remaining approximately 0.8% of the total turnover of the Group.

Turnover for the bleaching and dyeing business reduced by approximately 36.9% to approximately HK\$15,000,000 (six months ended 30 September 2008: approximately HK\$23,789,000). This segment suffered a loss of approximately HK\$3,417,000 (six months ended 30 September 2008: loss of approximately HK\$9,379,000). The loss from this segment was again due to the increase in fixed production cost per unit as a result of decrease in sales.

The knitting business contributed approximately HK\$223,000 to the Group's total turnover for the period under review (six months ended 30 September 2008: approximately HK\$86,000). Taking into account the portion of inter-segment sales, the turnover derived from this business dropped by 54.1% to approximately HK\$7,491,000 (six months ended 30 September 2008: approximately HK\$16,328,000). Loss from this segment increased to approximately HK\$7,109,000 as compared to approximately HK\$910,000 for the same period in last year. The increase in loss was due to the decrease of inter-segment sales, as well as the impairment loss recognised in respect of manufacturing assets of approximately HK\$5,338,000 during the period under review.

During the period, the Group purchased two properties located at Ground Floor and Cockloft Floor, No. 13 Matheson Street, Hong Kong ("Matheson Street Property") and Ground Floor, No. 148 Johnston Road, Hong Kong ("Johnston Road Property") for considerations of HK\$53,688,000 and HK\$38,000,000 respectively. Matheson Street Property and Johnston Road Property currently receive monthly rental at HK\$170,000 and HK\$105,000 respectively. The acquisition of the two properties enables the Group to extend its business activities to property investments and increase its earning from rental income generated. Please refer to the section "Material Acquisitions and Disposals" below for details of these two acquisitions. During the period, the two newly acquired properties contributed to approximately HK\$122,000 to the Group's total turnover.

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. The Group also recorded small amount of rental income derived from properties located in Hong Kong.

Development on the Huzhou Project

As at the date of this announcement, two blocks of factory premises and four blocks of workers' quarters have been completed on the land for garment manufacturing operation in respect of the Group's project in constructing knitting, bleaching and dyeing and garment manufacturing operations in Zhili Town, Huzhou City, China (the "Huzhou Project"). The land use right certificate of the remaining portion of land earmarked for dyeing and bleaching operation has now been granted and issued to the Group.

An announcement was published by the Company on 24 February 2009 concerning the Group having been advised by the Zhili Town Government by a letter dated 6 February 2009 that the plans for the Huzhou Project have to be changed due to the deterioration of the environment along the Taihu Lake area in the recent two years. The dyeing and bleaching operations, being an integral part of the Huzhou Project plan, may discharge significant quantities of liquid waste. Any such discharge will no longer be permitted.

The Zhili Town Government has now suggested that the land for knitting, bleaching and dyeing operations of the Huzhou Project be sold back to the local government at a profit to the Group. Negotiation is being conducted.

Prospects

The Board anticipates that the businesses of the Group will feel the impact of a declining market. Facing with present worldwide adverse financial condition, the Board decided to cease its knitting, bleaching and dyeing manufacturing operations by end of November 2009 in order to prevent future loss in earnings. If the adverse condition prevails, the Board may look for other more profitable businesses.

As regard to the Huzhou Project, the Board together with the Huzhou Government is looking at other options which will be of benefit to the Group.

Liquidity and Financial Resources

During the six months ended 30 September 2009, the Group financed its operations mainly by internally generated resources. Shareholders' funds of the Group as at 30 September 2009 was approximately HK\$340,613,000 (31 March 2009: approximately HK\$356,580,000). As the Group had no bank borrowings as at 30 September 2009, no gearing ratio of the Group was presented (31 March 2009: Nil).

The Group continued to sustain a liquidity position. As at 30 September 2009, the Group had net current assets of approximately HK\$105,592,000 (31 March 2009: approximately HK\$208,622,000) and cash and cash equivalents of approximately HK\$51,148,000 (31 March 2009: approximately HK\$154,870,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and Renminbi. As at 30 September 2009, the Group's current ratio was approximately 6.3 (31 March 2009: approximately 7.6), which was calculated on the basis of current assets of approximately HK\$125,559,000 (31 March 2009: approximately HK\$240,161,000) to current liabilities of approximately HK\$19,967,000 (31 March 2009: approximately HK\$31,539,000). The decrease in the current ratio was primarily due to the decrease in current assets by approximately HK\$114,602,000. During the period under review, the Group serviced its debts mainly through internally generated resources.

The Board believes that the Group has sufficient financial resources for its operations. The Board 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

On 25 August 2009, the Company announced its proposals:—

- (i) To undertake a capital reorganisation of the Company (the "Capital Reorganisation") involving:—
 - (a) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.009 on each of the issued share such that the nominal value of all the issued shares be reduced from HK\$0.01 each to HK\$0.001 each (the "Issued Capital Reduction");
 - (b) the consolidation of every ten (10) issued shares of HK\$0.001 each in the issued share capital of the Company into one (1) share of HK\$0.01 each (the "Adjusted Share");
 - (c) the entire amount standing to the credit of the share premium account of the Company be reduced to zero (the "Share Premium Reduction"); and
 - (d) the transfer of the credit amount arising from the Issued Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company and the application of the appropriate amounts therein to set off against the total accumulated losses of the Company.
- (ii) Upon the Capital Reorganisation became effective, the Company would raise approximately HK\$109 million, net of expenses, by way of rights issue of 293,699,560 rights shares (the "Rights Shares") at the subscription price of HK\$0.38 per rights share on the basis of four rights shares for every Adjusted Share held (the "Rights Issue").

Details of the Capital Reorganisation and the Rights Issue were set out in the Company's circular dated 11 September 2009. At the special general meeting of the Company held on 13 October 2009, special resolution and ordinary resolution approving the Capital Reorganisation and the Rights Issue were passed by the shareholders respectively. The Rights Shares were allotted by the Company on 3 November 2009.

Save as disclosed above, the Group had no debt securities or other capital instruments as at 30 September 2009 and up to the date of this announcement.

Material Acquisitions and Disposals

On 3 July 2009, the Company announced to acquire the entire issued share capital of Chancemore Limited (“Chancemore”) and Clever Wise Holdings Limited (“Clever Wise”). The acquisitions enabled the Group to acquire the Matheson Street Property and the Johnston Road Property. The acquisition of Chancemore and Clever Wise constituted a major transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The acquisitions were approved by the shareholders of the Company at a special general meeting held on 12 August 2009. Details of this major transaction were set out in the Company’s circular dated 24 July 2009. Chancemore and Clever Wise became wholly owned subsidiaries of the Group on 11 September 2009, and the Group simultaneously completed the purchase of the Matheson Street Property and Johnston Road Property within the month of September 2009.

As announced on 22 October 2009, the Group acquired on the Stock Exchange 50,000 shares of The Hongkong and Shanghai Banking Corporation Limited at a total consideration of HK\$4,462,500 (exclusive of transaction cost).

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2009.

Charges on Group Assets

Except for the pledged deposit of HK\$10,000,000 as shown in the condensed consolidated statement of financial position at 30 September 2009, the Group did not have any other charges on assets as at 30 September 2009.

Capital Expenditure and Capital Commitments

During the six months ended 30 September 2009, the Group spent approximately HK\$1,030,000 on acquisition of property, plant and equipment (six months ended 30 September 2008: approximately HK\$20,354,000).

As at 30 September 2009, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$962,000 (31 March 2009: approximately HK\$1,153,000).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2009 (31 March 2009: Nil).

Significant Investment

Apart from the Huzhou Project, the Matheson Street Property and the Johnston Road Property, the Group did not have any significant investment held as at 30 September 2009.

Future Plan for Material Investments

The Board constantly looks for investment opportunities. Recently, the Board has been exploring the possibility of acquiring the garment sourcing and export business from Easyknit International Holdings Limited, which is a substantial shareholder of the Company. If proceeded with, this acquisition is likely to constitute a very substantial acquisition and a connected transaction for the Company as defined under the Listing Rules. The expected source of funding for this acquisition will come from internal source of the Group.

Employment and Remuneration Policy

As at 30 September 2009, the Group employed approximately 130 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors' emoluments) amounted to approximately HK\$4,471,000 for the period under review (six months ended 30 September 2008: approximately HK\$4,776,000). 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 2009.

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 2009.

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 senior management 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 2009, 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.

The reasons for the above deviations are set out on page 11 of the Company’s annual report for the financial year ended 31 March 2009.

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 2009.

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

Hong Kong, 1 December 2009

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*