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 2010

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 2010, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	NOTES	**2010**	2009
		HK$'000	*HK$'000*
Continuing operations:			
Turnover	3	**31,210**	—
Cost of sales		**(25,856)**	—
Gross profit		**5,354**	—
Other income		**311**	1,430
Other expenses		**(2,068)**	(2,263)
Distribution and selling expenses		**(582)**	—
Administrative expenses		**(12,771)**	(8,658)
Gain arising on changes in fair value of investment properties		**1,189**	—
Gain on fair value changes of investments held for trading		**119**	344
Impairment loss recognised in respect of property, plant and equipment		**—**	(15,058)
Finance costs	5	**—**	(475)
Loss before taxation		**(8,448)**	(24,680)
Taxation	8	**(589)**	(45)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
Loss for the year from continuing operations	6	**(9,037)**	(24,725)
Discontinued operations:			
Loss for the year from discontinued operations	7	**(9,021)**	(22,732)
Loss for the year		**(18,058)**	(47,457)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**—**	3,467
Gain on revaluation of property, plant and equipment		**1,435**	—
Gain on revaluation of prepaid lease payments		**52,730**	—
Deferred tax liabilities in respect of revaluations		**(13,541)**	—
Other comprehensive income for the year		**40,624**	3,467
Total comprehensive income (expense) for the year		**22,566**	(43,990)
Basic loss per share	9		
From continuing and discontinued operations		**HK$(0.090)**	HK$(1.971)
From continuing operations		**HK$(0.045)**	HK$(1.027)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2010

	NOTES	**2010**	2009
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**1,363**	106,999
Prepaid lease payments		**—**	40,921
Investment properties		**255,163**	—
Goodwill		**39,313**	—
Intangible asset		**24,740**	—
Deposits for acquisition of property, plant and equipment		**—**	38
		320,579	147,958
Current assets			
Inventories		**275**	6,008
Trade and other receivables	10	**32,972**	64,346
Bills receivable	11	**26,266**	—
Prepaid lease payments		**—**	881
Investments held for trading		**3,955**	4,056
Pledged bank deposits		**—**	10,000
Bank balances and cash		**127,912**	154,870
		191,380	240,161
Assets classified as held for sale	7	**36,834**	—
		228,214	240,161
Current liabilities			
Trade and other payables	12	**33,855**	23,732
Bills payable	13	**—**	1,739
Tax payable		**6,710**	6,068
		40,565	31,539
Net current assets		**187,649**	208,622
Total assets less current liabilities		**508,228**	356,580

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2010

	NOTES	**2010**	2009
		HK$'000	*HK$'000*
Non-current liabilities			
Deferred tax liabilities		**18,245**	—
		489,983	356,580
Capital and reserves			
Share capital		**3,671**	7,342
Reserves		**486,312**	349,238
		489,983	356,580

NOTES

1. GENERAL

The 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.

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 Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations ("INTs") (collectively "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of financial statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

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 8).

Improving disclosures about financial instruments (Amendments to HKFRS 7 "Financial instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

<u>New and revised HKFRSs in issue but not yet effective</u>

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 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[5]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[4]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[4]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[8]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[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 and 1 January 2010, as appropriate.

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

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

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

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

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

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

The application of HKFRS 3 (Revised) may affect the accounting 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 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of discounts and sales related taxes, and rental income received and receivable during the year. An analysis of the Group's turnover from its continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**28,888**	—
Rental income	**2,322**	—
	31,210	—

4. 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, being 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. In previous years, the Group's primary reporting format was business segments comprising the two main operating divisions - bleaching and dyeing, and knitting. All of the Group's operations relating to bleaching and dyeing, and knitting were discontinued during the year (see note 7(a)), accordingly, no segment information in respect of the comparative period is presented.

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 (gain arising on changes in fair value of investment properties, gain on fair value changes of investments held for trading, corporate income and expenses and finance costs) are not included in arriving at the segment results of the operating segments.

The Group's operating and reportable segments from continuing operations under HKFRS 8 are: (a) garment sourcing and exporting and (b) property investment. Garment sourcing and exporting segment is a new operating segment in current year through the acquisition of subsidiaries in current year.

Segment revenue and results

The following is an analysis of the Group's revenue and results from its continuing operations by reportable segment:

For the year ended 31 March 2010

Continuing operations:

	Garment sourcing and exporting *HK$'000*	**Property investment** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Turnover				
External	**28,888**	**2,322**	**—**	**31,210**
Segment result	**288**	**954**	**—**	**1,242**
Other income				**311**
Other expenses				**(2,068)**
Gain arising on changes in fair value of investment properties				**1,189**
Gain on fair value changes of investments held for trading				**119**
Unallocated corporate expenses				**(9,241)**
Loss before taxation (continuing operations)				**(8,448)**

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment result represents the result incurred by each segment without allocation of gain arising on changes in fair value of investment properties, gain on fair value changes of investments held for trading, corporate income and expenses and finance costs. This is the measure reported to the chief executive officer, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2010
	HK$'000
Segment assets	
Continuing operations:	
Garment sourcing and exporting	**102,595**
Property investment	**255,720**
Total segment assets	**358,315**
Assets relating to discontinued operations	**36,834**
Unallocated	**153,644**
Consolidated assets	**548,793**
Segment liabilities	
Continuing operations:	
Garment sourcing and exporting	**19,784**
Property investment	**2,830**
Total segment liabilities	**22,614**
Unallocated	**36,196**
Consolidated liabilities	**58,810**

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than investments held for trading and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities and liabilities for which reportable segments are jointly liable.

Other segment information

For the year ended 31 March 2010

Continuing operations:

	Garment sourcing and exporting *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital additions	**—**	**97,710**	**—**	**97,710**
Amortisation	**260**	**—**	**49**	**309**
Depreciation	**40**	**39**	**1,451**	**1,530**
Loss on disposal of property, plant and equipment	**—**	**—**	**1,807**	**1,807**

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from continuing operations from external customers based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers 2010 *HK$'000*	Non-current assets 2010 *HK$'000*
Hong Kong	**1,772**	**164,395**
PRC	**550**	**156,184**
The United States of America	**28,888**	**—**
	31,210	**320,579**

Information about major customers

Revenue from continuing operations from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010 *HK$'000*
Customer A[1]	**25,373**

1 Revenue from garment sourcing and exporting.

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Continuing operations:		
Imputed interest on convertible note	**—**	475

In March 2008, the Company issued to an independent third party a convertible note at its par value of HK$37,650,000. The note entitled the holder to convert it into ordinary shares of the Company at any time between the date of issue of the note on 12 March 2008 and its settlement date on 11 March 2009. If the convertible note has not been converted, it shall be redeemed on 11 March 2009 at par. Interest of 1% per annum shall be paid semi-annually in arrears up until the settlement date.

The convertible note contained two components, liability and equity elements. The equity component was presented in equity headed "convertible note equity reserve". The effective interest rate of the liability component was 13.08% per annum.

During April to June 2008, the convertible note was fully converted into new ordinary shares of the Company.

6. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2010	2009
	HK$'000	*HK$'000*
Loss for the year from continuing operations has been arrived at after charging:		
Directors' remuneration	**2,580**	2,450
Other staff costs, including retirement benefits costs	**1,817**	1,088
Total staff costs	**4,397**	3,538
Amortisation of intangible asset (included in administrative expenses)	**260**	—
Amortisation of prepaid lease payments	**49**	98
Auditor's remuneration	**548**	527
Cost of inventories recognised as an expense	**25,856**	—
Depreciation	**1,530**	355
Exchange loss, net	**18**	291
Loss on disposal of property, plant and equipment	**1,807**	—
and after crediting:		
Dividend income from listed investments	**107**	—
Interest income	**144**	1,430

7. DISCONTINUED OPERATIONS

(a) On 22 November 2009, the directors resolved to cease the bleaching and dyeing, and knitting businesses and these businesses were substantially ceased in December 2009. The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include operations classified as discontinued in the current year. The re-presentation in the consolidated statement of comprehensive income for the prior year has had no impact on the consolidated statement of financial position at the beginning of the earliest comparative period and hence the consolidated statement of financial position at the beginning of the earliest comparative period is not presented.

	2010	2009
	HK$'000	*HK$'000*
Loss for the year from discontinued operations		
Revenue from		
Bleaching and dyeing		
- sales of goods	**17,328**	55,886
- service income	**2,838**	3,993
	20,166	59,879
Knitting services	**1,009**	81
	21,175	59,960
Cost of sales and services	**(24,311)**	(61,581)
Gross loss	**(3,136)**	(1,621)
Other income	**3,929**	329
Distribution and selling expenses	**(199)**	(568)
Administrative expenses	**(6,386)**	(7,336)
Write back of allowance for (allowance for) doubtful debts	**57**	(3,793)
Impairment loss recognised in respect of property, plant and equipment	**(2,654)**	(8,536)
Loss before taxation	**(8,389)**	(21,525)
Taxation	**(632)**	(1,207)
Loss for the year from discontinued operations	**(9,021)**	(22,732)
Loss for the year from discontinued operations includes the following:		
Redundancy costs	**685**	—
Other staff costs, including retirement benefits costs	**3,681**	6,564
Total staff costs	**4,366**	6,564

	2010	2009
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**784**	782
Auditor's remuneration	**393**	596
Cost of inventories recognised as an expense	**16,249**	49,371
Depreciation	**744**	3,582
Exchange loss, net	**208**	65
(Gain) loss on disposal of property, plant and equipment	**(2,966)**	7
Government grants received	**(464)**	—
Interest income	**(19)**	(144)
Write-back of allowance for inventories	**—**	(6)
Other information:		
Capital additions	**227**	64
Cash flows from discontinued operations		
Net cash flows from (used in) operating activities	**30,592**	(25,931)
Net cash flows from (used in) investing activities	**16,228**	(8,754)
Net cash flows (used in) from financing activities	**(43,866)**	32,158
Net cash inflows (outflows)	**2,954**	(2,527)

The major class of assets of the bleaching and dyeing, and knitting operations as at 31 March 2010, which has been presented separately in the consolidated statement of financial position, is as follows:

	31 March 2010
	HK$'000
Property, plant and equipment, being assets classified as held for sale	**217**

(b) On 1 March 2010, the Group entered into an agreement with the People's Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC (the "Zhili Town Government") for the disposal of three parcels of land in Zhili Town (the "Repurchased Lands"). The Repurchased Lands were acquired several years ago as part of the Huzhou Project.

Cost of acquiring the Repurchased Lands and the related expenditure were included in "prepaid lease payments". The carrying value of the Repurchased Lands as at 31 March 2010, which has been presented separately in the consolidated statement of financial positions, is as follows:

	31 March 2010
	HK$'000
Prepaid lease payments, being assets classified as held for sale	**36,617**

8. TAXATION

	2010	2009
	HK$'000	*HK$'000*
Continuing operations:		
The charge comprises:		
Hong Kong Profits Tax		
- current year	**—**	45
- underprovision in prior years	**10**	—
	10	45
Deferred tax	**579**	—
	589	45

No provision for Hong Kong Profits Tax has been made in the current year as the Company and its subsidiaries have no assessable profit for the year.

Hong Kong Profits Tax for the year ended 31 March 2009 was calculated at 16.5% of the estimated assessable profit for that year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

9. BASIC LOSS PER SHARE

From continuing and discontinued operations:

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

	2010	2009
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(18,058)**	(47,457)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**200,912,869**	24,080,486

From continuing operations:

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

Loss figures are calculated as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(18,058)**	(47,457)
Add: Loss for the year from discontinued operation	**9,021**	22,732
Loss for the purpose of basic loss per share from continuing operations	**(9,037)**	(24,725)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**200,912,869**	24,080,486

The denominator for the purpose of calculating basic loss per share for the year ended 31 March 2009 has been adjusted to reflect the consolidation of shares in October 2009 on the basis of 10 shares consolidated into one share and the rights issue in November 2009 on the basis of four rights shares for every ordinary share.

No diluted loss per share for both years is presented as there were no potential ordinary shares outstanding for both years.

From discontinued operation:

Basic loss per share for the discontinued operation is HK$0.045 per share (2009: HK$0.944 per share), based on the loss for the year from discontinued operations of HK$9,021,000 (2009: HK$22,732,000) and the denominators detailed above for basic loss per share.

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**14,019**	50,933
Less: Allowance for doubtful debts	**—**	(5,038)
	14,019	45,895
Prepayments	**449**	210
Refundable deposit in respect of construction of property, plant and equipment	**17,967**	17,967
Other receivables	**537**	274
	32,972	64,346

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:

	2010	2009
	HK$'000	*HK$'000*
0 - 60 days	**6,417**	15,259
61 - 90 days	**929**	2,905
Over 90 days	**6,673**	27,731
	14,019	45,895

11. BILLS RECEIVABLE

At 31 March 2010, the bills receivable are aged within 90 days.

12. TRADE AND OTHER PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
0 - 60 days	**18,861**	7,201
61 - 90 days	**11**	880
Over 90 days	**228**	45
Trade payables	**19,100**	8,126
Rental deposits received	**1,214**	—
Accruals	**8,187**	15,106
Deposit received for disposal of the Repurchased Lands	**3,410**	—
Other payables	**1,944**	500
	33,855	23,732

The average credit period on purchases of goods is 30 days.

13. BILLS PAYABLE

At 31 March 2009, the bills payable were aged within 30 days.

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 March 2010 (2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Discontinued operations

The existing bleaching, dyeing and knitting production were discontinued in November 2009. Turnover from the discontinued operations for the eight months period amounted to approximately HK$21,175,000, a decrease of approximately 64.7% as compared to the full year ended 31 March 2009 (2009: approximately HK$59,960,000). The Group continued to record a gross loss of approximately HK$3,136,000 for its discontinued operations (2009: gross loss of approximately HK$1,621,000). The gross loss was due to the increase in fixed production cost per unit as a result of decrease in sales. Loss for the year from discontinued operations amounted to approximately HK$9,021,000 (2009: approximately HK$22,732,000). The loss was again due to the increase in fixed production cost per unit as a result of decrease in sales. On the other hand, the improvement in loss as compared to last year was due to the fact that only eight months of production were recorded during the year ended 31 March 2010 as opposed to twelve months for the year ended 31 March 2009. Loss per share from discontinued operations was HK$0.045 (2009: HK$0.944).

Continuing operations

For the year ended 31 March 2010, the Group recorded a turnover of approximately HK$31,210,000 (2009: nil) for its new business operations, namely the garment sourcing and exporting and the property investment businesses. The gross profit was approximately HK$5,354,000 (2009: nil). Loss for the year from continuing operations amounted to approximately HK$9,037,000 (2009: approximately HK$24,725,000). The improvement in loss was mainly due to no impairment loss was recognised in respect of property, plant and equipment for the year under review as compared to last corresponding year. Loss per share from continuing operations was HK$0.045 (2009: HK$1.027). Loss per share from continuing and discontinued operations was HK$0.090 (2009: HK$1.971).

The Group's total operating expenses for continuing operations increased to approximately HK$15,421,000 (2009: approximately HK$10,921,000). The increase of approximately 41.2% operating expenses was mainly due to the increase in administrative expenses such as staff salaries, rental and other overhead expenditures incurred by the newly acquired garment sourcing and exporting business, the tax provided for the Huzhou Project and the increase in legal and professional fees for various fund raising and acquisitions of properties and operating businesses during the year.

There was no finance costs incurred for the year under review (2009: approximately HK$475,000). The finance cost incurred in 2009 was due to the imputed interest on the 1% HK$37,650,000 convertible note due in March 2009. No such convertible note existed for the year under review.

Business Review

During the year ended 31 March 2010, the Group discontinued its bleaching, dyeing and knitting business and extended its operations to property investment and garment sourcing and exporting businesses.

Discontinued operations

The Group ceased its bleaching, dyeing and knitting businesses around the end of November 2009 in order to prevent further losses. These businesses have been loss making since the financial year ended 31 March 2006. During the past years, the Group faced with increasing pressure from high manufacturing costs, shortage of labour supply due to poor working condition and high cost in order to comply with the stringent environmental control and protection regulations. As a result, the Group earned very thin profit margin from these businesses. Besides, there was uncertainty on the ability of the Group to renew the operating license of bleaching and dyeing business, which are due to expire in 2011. All these adverse factors made the future of these businesses uncertain and unattractive. The cessation enables the Board to focus its attention on more profitable businesses.

Property Investment

As announced by the Company on 3 July 2009, the Group acquired two properties located at Ground and Cockloft Floor, No. 13 Matheson Street, Hong Kong and Ground Floor, No. 148 Johnston Road, Hong Kong for total considerations of HK$53,688,000 and HK$38,000,000 respectively. The acquisitions were completed in September 2009. Details of the two transactions were disclosed in the Company's circular dated 24 July 2009. The two acquisitions enable the Group to extend its business activities to property investments. As the two properties are located in the prime area of Hong Kong Island, the Board expects to receive a steady income stream from property rental and the likely increase in value of the properties over time.

During the year, turnover generated from the above two properties in Hong Kong and the properties in the PRC was approximately HK$2,322,000 (2009: nil), representing about 7.4% of the total turnover of the Group's continuing businesses. Operating profit for this segment was approximately HK$954,000 (2009: nil).

Garment sourcing and exporting business

As announced by the Company on 8 December 2009, the Group acquired the garment sourcing and exporting business in cotton-based knitted garments for infants, children and women from its controlling shareholder, Easyknit International Holdings Limited, to replace its businesses of bleaching, dyeing and knitting which has been terminated around November 2009. Details of the transaction were disclosed in the circular sent to shareholders on 29 January 2010. The directors of the Company believe the profit margin from garment sourcing and exporting business will be more attractive than the bleaching, dyeing and knitting businesses. The acquisition of the garment sourcing and exporting business would enable the Group to enter the garment trading business immediately without the need to start it from scratch. Besides, capital investment in garment souring and exporting business is low. There are also no tight environment regulations that are required to comply with. The garment sourcing and exporting business is also less sensitive to volatility of raw material prices. The acquisition enables the Group to acquire an alternative business in garment industry and allow the Group to continue with the utilisation of its management expertise and customer networks in the garment industry.

As the acquisition of the garment souring and exporting business was completed on 1 March 2010, only one month turnover has been recorded by the Group. Turnover for this business segment up to end of March 2010 was approximately HK$28,888,000 (2009: nil), representing approximately 92.6% of the total turnover of the Group's continuing operations. Operating profit for this segment was approximately HK$288,000 (2009: nil).

Geographical analysis

The Group's income from the discontinued operations of bleaching, dyeing and knitting were mainly derived from sales made to customers in Hong Kong with manufacturing operations located in the PRC while the turnover from garment sourcing and exporting business were mainly derived from customers in the United States of America (the "US"). Rental income from investment properties were derived from properties located in Hong Kong and in the PRC.

Development of Huzhou Project

Two blocks of factory premises and four blocks of workers' quarters have been completed on the land for garment manufacturing operation in Huzhou. 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 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 Zhili Town Government has now agreed to repurchase the land for knitting, bleaching and dyeing operations of the Huzhou Project at a profit to the Group and also to repay the refundable deposit to the Group. Payments are expected to be made to the Group before September 2010.

Prospects

The Board has ceased its knitting, bleaching and dyeing manufacturing operations and changed to garment trading and investment in real properties businesses.

As regard to the Huzhou Project, the Board together with the Huzhou Government is looking at other options for the use of the land marked for garment manufacturing operaton.

The Group's major market for the garment sourcing and exporting business will remain focused on the US and Europe, which are relatively mature and where the customer demand in the long run is expected to be relatively stable notwithstanding any short term fluctuation. The Board will continue to keep its focus in the trading of garments, areas in which the Group have expertise. The Board will strengthen the business relationship with existing customers and look for opportunity to expand its customer base.

The local property market has seen recovery in 2009 and first half of 2010. This reflected that Hong Kong remains as one of the most attractive markets for property investment. The Board will keep the two properties for investment purpose and constantly look for other opportunity to maximise shareholders' return.

Liquidity and Financial Resources

During the year ended 31 March 2010, the Group financed its operations mainly by internally generated resources, and the net proceeds of approximately HK$111 million raised from the Rights Issue, details of the Rights Issue are shown in section "Capital Structure" below. As at 31 March 2010 and 31 March 2009, the Group had no outstanding bank borrowings. Shareholders' funds of the Group as at 31 March 2010 was approximately HK$489,983,000 (31 March 2009: approximately HK$356,580,000). As the Group had no borrowings as at 31 March 2010 and 31 March 2009, no gearing ratio of the Group was presented.

The Group continued to sustain a liquidity position. As at 31 March 2010, the Group had net current assets of approximately HK$187,649,000 (31 March 2009: approximately HK$208,622,000) and cash and cash equivalents of approximately HK$127,912,000 (31 March 2009: approximately HK$154,870,000). The Group's cash and cash equivalents were mainly denominated in Hong Kong dollars, Renminbi and USD. As at 31 March 2010, the Group's current ratio was approximately 5.6 (31 March 2009: approximately 7.6), which was calculated on the basis of current assets of approximately HK$191,380,000 (31 March 2009: approximately HK$240,161,000) and assets classified as held for sale of approximately HK$36,834,000 (31 March 2009: nil) to current liabilities of approximately HK$40,565,000 (31 March 2009: approximately HK$31,539,000). 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 US dollars, 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

At the special general meeting of the Company held on 13 October 2009, a special resolution approving the capital re-organisation (as detailed below) was passed and the capital organization became effective on 14 October 2009.

(a) the reduction of the nominal value of all issued shares of the Company from HK$0.01 to HK$0.001 each by cancelling the paid up capital to the extent of HK$0.009 on each issued share ("Issued Capital Reduction");

(b) the consolidation of every 10 issued reduced shares of HK$0.001 each into one adjusted shares of HK$0.01 each upon the Issued Capital Reduction becoming effective;

(c) the reduction of the entire amount standing to credit of the share premium account of the Company to nil ("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.

At the same special general meeting of the Company held on 13 October 2009, an ordinary resolution approving the rights issue of 293,699,560 rights shares at the subscription price of HK$0.38 per rights share on the basis of four rights shares for every adjusted shares held ("Rights Issue") was passed after the passing of the capital re-organisation. The said 293,699,560 rights shares were allotted by the Company on 3 November 2009.

Details of the capital organization and the Rights Issue were set out in the Company's circular and prospectus dated 11 September 2009 and 14 October 2009 respectively.

Save as disclosed above, the Group had no debt securities or other capital instruments as at 31 March 2010 and up to the date of this report.

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") through one of its wholly-owned subsidiaries. The acquisitions enabled the Group to acquire the 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"). The total considerations for the acquisition of the Matheson Street Property and the Johnston Road Property are HK$53,688,000 and HK$38,000,000 respectively. The acquisitions were approved by the shareholders of the Company at a special general meeting held on 12 August 2009. Chancemore and Clever Wise became wholly-owned subsidiaries of the Company on 11 September 2009. Completions of the Matheson Street Property and the Johnston Road Property were taken place in September 2009. Details of these two acquisitions were set out in the Company's circular dated 24 July 2009.

As announced on 22 October 2009, a wholly-owned subsidiary of the Company 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).

As announced by the Company on 8 December 2009, the Group acquired the entire issued share capital of three companies, namely Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited, all of which are engaged in the business of garment sourcing and exporting from a subsidiary of its controlling shareholder, Easyknit International Holdings Limited, for a total consideration of HK$80,000,000. The acquisition was approved by shareholders of the Company at a special general meeting held on 17 February 2010 and the completion was taken place on 1 March 2010. Details of the transaction were set out in the Company's circular dated 29 January 2010.

As announced by the Company on 1 March 2010, two wholly-owned subsidiaries of the Group, as the sellers, have entered into sale and purchase agreement with Zhili Town Government of the People's Republic of China ("PRC"), as the purchaser, for the disposal of the three pieces of land forming part of the Site of an aggregate area of approximately 303 mu (Equivalent to approximately 202,000 sq. m.) situated at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC and the South of Hongtang Harbour, PRC. The two disposals were approved by the shareholders of the Company at a special general meeting held on 23 April 2010. Details of the two disposals were set out in the Company's circular dated 31 March 2010.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and associated companies for the year ended 31 March 2010.

Charges on Group Assets

The Group did not have any charges on assets as at 31 March 2010.

Capital Expenditure and Capital Commitments

During the year ended 31 March 2010, the Group spent approximately HK$1,115,000 on acquisition of property, plant and equipment (2009: approximately HK$29,690,000).

As at 31 March 2010, the Group had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK$2,142,000 (31 March 2009: approximately HK$1,153,000) and had no capital expenditure authorised but not contracted for (31 March 2009: nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2010 (31 March 2009: nil).

Significant Investment

Apart from the investment in Huzhou Project, the acquisitions of the Matheson Street Property, the Johnston Road Property and the garment sourcing and exporting business, the Group did not have any significant investment held as at 31 March 2010.

Future Plan for Material Investments

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

Employment and Remuneration Policy

As at 31 March 2010, the Group employed approximately 55 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors' emoluments) amounted to approximately HK$8,763,000 for the year under review (2009: approximately HK$10,102,000). 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 2010.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed with the management the annual results of the Group for the year ended 31 March 2010.

CORPORATE GOVERNANCE

The Company has complied with the requirements 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 2010 except for 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.

Full details of the Company's corporate governance practices 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 2010 which will be despatched to the shareholders of the Company in July 2010.

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 amended from time to time) 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 2010.

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

Hong Kong, 22 June 2010

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

* *For identification only*