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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

The board of directors (the “Board”) of Easyknit Enterprises Holdings Limited (the “Company”) is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2011, together with comparative figures for the previous year as follows:

* *For identification only*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011**

	<i>NOTES</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Continuing operations:			
Turnover	3	347,992	31,210
Cost of sales		<u>(309,487)</u>	<u>(25,856)</u>
Gross profit		38,505	5,354
Other gains or losses	5	997	—
Other income		366	311
Other expenses		(1,147)	(2,068)
Distribution and selling expenses		(6,912)	(582)
Administrative expenses		(29,176)	(12,771)
Gain arising on changes in fair value of investment properties		37,374	1,189
Gain on fair value changes of investments held for trading		1,705	119
Loss on fair value change of other financial assets at fair value through profit or loss		(673)	—
Reversal of impairment loss recognised in respect of property, plant and equipment		<u>8,777</u>	<u>—</u>
Profit (loss) before taxation		49,816	(8,448)
Taxation	6	<u>(4,939)</u>	<u>(589)</u>
Profit (loss) for the year from continuing operations	7	<u>44,877</u>	<u>(9,037)</u>
Discontinued operations:			
Profit (loss) for the year from discontinued operations	8	<u>20,183</u>	<u>(9,021)</u>
Profit (loss) for the year attributable to owners of the Company		<u>65,060</u>	<u>(18,058)</u>

	<i>NOTES</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Other comprehensive income			
Exchange differences arising on translation of foreign operations		9,511	—
Revaluation upon reclassification to investment properties		—	1,435
Gain on revaluation of prepaid lease payments		—	52,730
Deferred tax liabilities in respect of revaluation		—	(13,541)
Other comprehensive income for the year		<u>9,511</u>	<u>40,624</u>
Total comprehensive income for the year attributable to owners of the Company		<u>74,571</u>	<u>22,566</u>
Basic earnings (loss) per share	9		<i>(Restated)</i>
From continuing and discontinued operations		<u>HK\$0.152</u>	<u>HK\$(0.080)</u>
From continuing operations		<u>HK\$0.105</u>	<u>HK\$(0.040)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2011**

	<i>NOTES</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		9,786	1,363
Investment properties		300,597	255,163
Goodwill		39,313	39,313
Intangible asset		<u>21,614</u>	<u>24,740</u>
		<u>371,310</u>	<u>320,579</u>
Current assets			
Inventories		6,155	275
Trade and other receivables	10	64,625	32,972
Bills receivable		—	26,266
Investments held for trading		58,485	3,955
Other financial assets at fair value through profit or loss		19,327	—
Bank balances and cash		<u>181,876</u>	<u>127,912</u>
		330,468	191,380
Assets classified as held for sale		<u>227</u>	<u>36,834</u>
		<u>330,695</u>	<u>228,214</u>
Current liabilities			
Trade and other payables	11	36,129	33,855
Tax payable		<u>13,758</u>	<u>6,710</u>
		<u>49,887</u>	<u>40,565</u>
Net current assets		<u>280,808</u>	<u>187,649</u>
Total assets less current liabilities		<u>652,118</u>	<u>508,228</u>

	<i>NOTES</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		<u>23,756</u>	<u>18,245</u>
		<u>628,362</u>	<u>489,983</u>
Capital and reserves			
Share capital		5,507	3,671
Reserves		<u>622,855</u>	<u>486,312</u>
		<u>628,362</u>	<u>489,983</u>

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 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners

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.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKFRS 7 (Amendment)	Disclosures - Transfers of financial assets ³
HKFRS 9	Financial instruments ⁴
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ⁵
HKAS 24 (Revised)	Related party disclosures ⁶
HK(IFRIC*) - INT 14 (Amendments)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ²

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

² Effective for annual periods beginning on or after 1 July 2010.

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

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2012.

⁶ Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 “Financial instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the amendments to HKFRS 9 may not have material impact on the Group's financial assets and financial liabilities.

The amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors are in the process of assessing the impact on application of these new amendments to HKAS 12 and the directors anticipate that these amendments will have an impact on deferred tax liabilities of the Group.

The directors of the Company anticipate that the application of other standards, amendments and interpretations will have no material impact on the financial statements of the Group.

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:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	342,700	28,888
Rental income	<u>5,292</u>	<u>2,322</u>
	<u>347,992</u>	<u>31,210</u>

4. SEGMENT INFORMATION

Segment information is based on internal management reporting information that is regularly reviewed by the Group's chief executive officer. The Group's chief executive officer is identified as the chief operating decision maker of the Group and assesses segment profit or loss using a measure of operating profit for the purpose of resource allocation and performance assessment. The measurement policies used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items (other income, other expenses, other gains or losses, gain arising on changes in fair value of investment properties, loss on fair value change of other financial assets at FVTPL, reversal of impairment loss recognised in respect of property, plant and equipment, gain on fair value changes of investments held for trading and unallocated corporate expenses) 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. This is also the basis of organisation, whereby the management has chosen to organise the Group around differences in products and services. Garment sourcing and exporting segment is a new operating segment since year ended 31 March 2010 through the acquisition of subsidiaries in that year.

All of the Group's operations relating to bleaching and dyeing, and knitting were discontinued during the year ended 31 March 2010 (see note 8), accordingly, the segment information reported below does not include any amounts for the discontinued operations.

Segment revenue and results

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

For the year ended 31 March 2011

Continuing operations:

	Garment sourcing and exporting <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External	<u>342,700</u>	<u>5,292</u>	<u>—</u>	<u>347,992</u>
Segment profit	<u>3,115</u>	<u>2,450</u>	<u>—</u>	5,565
Other income				366
Other expenses				(1,147)
Other gain or losses				997
Gain arising on changes in fair value of investment properties				37,374
Gain on fair value changes of investments held for trading				1,705
Loss on fair value change of other financial assets at FVTPL				(673)
Reversal of impairment loss recognised in respect of property, plant and equipment				8,777
Unallocated corporate expenses				<u>(3,148)</u>
Profit before taxation (continuing operations)				<u>49,816</u>

For the year ended 31 March 2010

Continuing operations:

	Garment sourcing and exporting <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External	<u>28,888</u>	<u>2,322</u>	<u>—</u>	<u>31,210</u>
Segment result	<u>288</u>	<u>954</u>	<u>—</u>	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				<u>(9,241)</u>
Loss before taxation (continuing operations)				<u>(8,448)</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the result incurred by each segment without allocation of other income, other gains or losses, other expenses, gain arising on changes in fair value of investment properties, gain on fair value changes of investments held for trading, loss on fair value change of other financial assets at FVTPL, reversal of impairment loss recognised in respect of property, plant and equipment and unallocated corporate expenses. This is the measure reported to the Group's chief executive officer 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 operating and reportable segment:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Segment assets</u>		
Garment sourcing and exporting	123,898	102,595
Property investment	<u>310,008</u>	<u>255,720</u>
Total segment assets	433,906	358,315
Assets relating to discontinued operations	227	36,834
Investment held for trading	58,485	3,955
Other financial assets at fair value through profit or loss	19,327	—
Unallocated bank and cash balances	170,870	98,475
Others	<u>19,190</u>	<u>51,214</u>
Consolidated assets	<u>702,005</u>	<u>548,793</u>
<u>Segment liabilities</u>		
Garment sourcing and exporting	19,194	19,784
Property investment	<u>3,877</u>	<u>2,830</u>
Total segment liabilities	23,071	22,614
Unallocated	<u>50,572</u>	<u>36,196</u>
Consolidated liabilities	<u>73,643</u>	<u>58,810</u>

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

- all assets are allocated to operating and reportable segments other than investments held for trading, other financial assets at fair value through profit or loss, unallocated bank and cash balances and assets used jointly by operating and reportable segments.

- all liabilities are allocated to operating and reportable segments other than current and deferred tax liabilities and liabilities for which operating and reportable segments are jointly liable.

Other segment information

For the year ended 31 March 2011

Continuing operations:

Amounts included in the measure of segment profit or loss or segment assets:

	Garment sourcing and exporting HK\$'000	Property investment HK\$'000	Total HK\$'000
Capital additions	47	973	1,020
Amortisation	3,126	—	3,126
Depreciation	<u>485</u>	<u>15</u>	<u>500</u>

For the year ended 31 March 2010

Continuing operations:

Amounts included in the measure of segment profit or loss or segment assets:

	Garment sourcing and exporting HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital additions	—	97,710	—	97,710
Amortisation	260	—	49	309
Depreciation	<u>40</u>	<u>39</u>	<u>1,451</u>	<u>1,530</u>

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		Non-current assets	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Australia	6,345	—	—	—
Europe	20,637	—	—	—
Hong Kong	3,344	1,772	196,590	164,395
PRC	1,948	550	178,212	156,184
The United States of America	315,171	28,888	—	—
Others	547	—	—	—
	<u>347,992</u>	<u>31,210</u>	<u>374,802</u>	<u>320,579</u>

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Customer A ¹	<u>294,346</u>	<u>25,373</u>

¹ Revenue from garment sourcing and exporting.

5. OTHER GAINS OR LOSSES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Net exchange gain	<u>997</u>	<u>—</u>

6. TAXATION

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations:		
The charge comprises:		
Hong Kong Profits Tax		
- current year	39	—
- underprovision in prior years	<u>—</u>	<u>10</u>
	39	10
Deferred tax	<u>4,900</u>	<u>579</u>
	<u>4,939</u>	<u>589</u>

Hong Kong Profits Tax for the year ended 31 March 2011 was calculated at 16.5% of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2010 as the Group has no 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.

No provision for PRC Enterprise income tax had been made as the Group had no assessable profit for both years.

7. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year from continuing operations has been arrived at after charging:		
Directors' remuneration	2,996	2,580
Other staff costs, including retirement benefits costs	<u>11,342</u>	<u>1,817</u>
Total staff costs	<u>14,338</u>	<u>4,397</u>
Amortisation of intangible asset (included in administrative expenses)	3,126	260
Amortisation of prepaid lease payments	—	49
Auditor's remuneration	1,024	548
Cost of inventories recognised as an expense	309,487	25,856
Depreciation	500	1,530
Exchange loss, net	—	18
Loss on disposal of property, plant and equipment	3	1,807
and after crediting to other income:		
Dividend income from listed investments	153	107
Interest income	<u>213</u>	<u>144</u>

8. DISCONTINUED OPERATIONS

On 22 November 2009, the directors resolved to cease the bleaching and dyeing, and knitting businesses and these businesses were 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.

During the year ended 31 March 2011, the assets classified as held for sale with carrying value of HK\$37,403,000 were disposed to People's Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC (the "Zhili Town Government") at a consideration of HK\$55,995,000, resulting in a gain on disposal amounted to HK\$18,592,000. Also, Zhili Town Government made a compensation to the Group totalling HK\$15,271,000 for change of intended use of the disposal of three parcels of land in Zhili Town (the "Repurchased Lands"). The attributable tax expense (business tax, land appreciation tax and enterprise income tax) amounted to HK\$12,475,000 in total.

The profit (loss) for the year from the discontinued operation is analysed as follows:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss of discontinued operation for the year	(1,205)	(9,021)
Gain on disposal of discontinued operation, net of tax (<i>Note</i>)	<u>21,388</u>	<u>—</u>
	<u>20,183</u>	<u>(9,021)</u>

Note:

The gain included post-tax gain of disposal of assets classified as held for sale and compensation from Zhili Town Government.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the year from discontinued operations		
Revenue from		
Bleaching and dyeing		
- sales of goods	89	17,328
- service income	<u>—</u>	<u>2,838</u>
	89	20,166
Knitting services	<u>—</u>	<u>1,009</u>
	89	21,175
Cost of sales and services	<u>(139)</u>	<u>(24,311)</u>
Gross loss	(50)	(3,136)
Other income	152	3,929
Distribution and selling expenses	—	(199)
Administrative expenses	(1,307)	(6,386)
Write back of allowance for doubtful debts	—	57
Impairment loss recognised in respect of property, plant and equipment	<u>—</u>	<u>(2,654)</u>
Loss before taxation	(1,205)	(8,389)
Taxation	<u>—</u>	<u>(632)</u>
Loss for the year from discontinued operations	<u>(1,205)</u>	<u>(9,021)</u>
Loss for the year from discontinued operations includes the following:		
Redundancy costs	—	685
Other staff costs, including retirement benefits costs	<u>180</u>	<u>3,681</u>
Total staff costs	<u>180</u>	<u>4,366</u>
Amortisation of prepaid lease payments	—	784
Auditor's remuneration	115	393
Cost of inventories recognised as an expense	139	16,249
Depreciation	115	744
Exchange loss, net	478	208
Gain on disposal of property, plant and equipment	—	(2,966)
Government grants received	—	(464)
Interest income	<u>(39)</u>	<u>(19)</u>

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<u>Cash flows from discontinued operations</u>		
Net cash flows from operating activities	14,142	30,592
Net cash flows from investing activities	44,673	16,228
Net cash flows used in financing activities	<u>—</u>	<u>(43,866)</u>
Net cash inflows	<u>58,815</u>	<u>2,954</u>

The major class of assets of the bleaching and dyeing, and knitting operations at the end of the reporting period, which has been presented separately as assets classified as held for sale in the consolidated statement of financial position, is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Property, plant and equipment	227	217
Prepaid lease payments (<i>Note</i>)	<u>—</u>	<u>36,617</u>
	<u>227</u>	<u>36,834</u>

Note:

On 1 March 2010, the Group entered into an agreement with the Zhili Town Government for 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”.

During the year ended 31 March 2011, the disposal of the Repurchased Lands was completed.

9. BASIC EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations:

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit (loss) for the purpose of earnings (basic) loss per share	<u>65,060</u>	<u>(18,058)</u>

	2011	2010 <i>(Restated)</i>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>426,738,118</u>	<u>226,569,442</u>
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From continuing operations:

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

Profit (loss) figures are calculated as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company	65,060	(18,058)
Adjusted for: (Profit) loss for the year from discontinued operations	<u>(20,183)</u>	<u>9,021</u>

Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations	<u>44,877</u>	<u>(9,037)</u>
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	2011	2010 <i>(Restated)</i>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>426,738,118</u>	<u>226,569,442</u>
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The denominator for the purpose of calculating basic loss per share for the year ended 31 March 2010 has been adjusted to reflect the bonus element of the rights issue in March 2011 on the basis of one rights share for every two ordinary shares.

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

From discontinued operation:

Basic earnings (loss) per share for the discontinued operation is HK\$0.047 (2010: HK\$(0.040)) per share, based on the profit (loss) for the year from discontinued operations of HK\$20,183,000 (2010: HK\$(9,021,000)) and the denominators detailed above for basic earnings (loss) per share.

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	29,089	14,019
Less: Allowance for doubtful debts	<u>—</u>	<u>—</u>
	29,089	14,019
Prepayments	1,080	449
Refundable deposit in respect of construction of property, plant and equipment	—	17,967
Other receivables	6,197	537
Deposits paid to suppliers to be realised within 1 year	20,347	—
Receivable from disposal of assets classified as held for sale to be realised within 1 year	<u>7,912</u>	<u>—</u>
	<u>64,625</u>	<u>32,972</u>

The Group allows an average credit period of up to 90 days to its customers. The aged analysis of trade receivables, based on the invoice date, at the end of the reporting period is as follows:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	26,273	6,417
61 - 90 days	975	929
Over 90 days	<u>1,841</u>	<u>6,673</u>
	<u>29,089</u>	<u>14,019</u>

11. TRADE AND OTHER PAYABLES

The aged analysis of trade payables, based on the invoice date, at the end of the reporting period is as follows:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	18,697	18,861
61 - 90 days	—	11
Over 90 days	<u>155</u>	<u>228</u>
Trade payables	18,852	19,100
Rental deposits received and rental received in advance	2,322	1,214
Accruals	7,463	8,187
Deposit received for disposal of the Repurchased Lands (see note 8)	—	3,410
Other tax payable	5,910	—
Other payables	<u>1,582</u>	<u>1,944</u>
	<u>36,129</u>	<u>33,855</u>

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

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 March 2011 (2010: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK\$347,992,000 which comprised the garment sourcing and exporting and the property investment businesses (2010: approximately HK\$31,210,000). As the garment sourcing and exporting business was acquired in March 2010 and the property investment business commenced in September 2010, the figures for the previous financial year ended 31 March 2010 was presented for reference only and was irrelevant for comparison purposes as they did not cover the entire 12-month full year performance. Cost of sales for the garment sourcing and exporting business was approximately HK\$309,487,000 (2010: approximately HK\$25,856,000). The gross profit amounted to approximately HK\$38,505,000 (2010: approximately HK\$5,354,000). The Group's total operating expenses was approximately HK\$37,235,000 (2010: approximately HK\$15,421,000).

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK\$89,000 from the discontinued businesses of bleaching, dyeing and knitting (2010: approximately HK\$21,175,000). The related cost of sales amounted to approximately HK\$139,000 (2010: approximately HK\$24,311,000). Gross loss amounted to approximately HK\$50,000 (2010: gross loss of approximately HK\$3,136,000). Total operating expenses amounted to approximately HK\$1,307,000 (2010: approximately HK\$6,585,000).

Profit attributable to shareholders from the continuing and discontinued operations was approximately HK\$65,060,000 as compared to loss attributable to shareholders of approximately HK\$18,058,000 last year. The turnaround was mainly attributable to (i) the Group ceased its bleaching, dyeing and knitting businesses in November 2009 to prevent further losses; (ii) the Group commenced its garment sourcing and exporting business in March 2010; (iii) the gain arising on changes in fair value of investment properties of approximately HK\$37,374,000; (iv) the gain on fair value changes of investments held for trading of approximately HK\$1,705,000; (v) reversal of impairment loss recognised in respect of property, plant and equipment of HK\$8,777,000; and (vi) gain on disposal of discontinued operations of HK\$21,388,000. Earnings per share for the continuing and discontinued operations was approximately HK\$0.152 (2010: loss of approximately HK\$0.080).

No finance cost was incurred for the year ended 31 March 2011 (2010: nil) as there was no bank borrowing during the period under review.

Business Review

During the year ended on 31 March 2011, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment.

Garment Sourcing and Exporting

During the year under review, turnover from this segment amounted to approximately HK\$342,700,000. It constituted an approximately 98.5% of the Group's turnover. Profit gained from this segment was approximately HK\$3,115,000. The product mix of infants wear and ladies wear for the year ended 31 March 2011 was 38.6 : 36.1. JC Penney continued to be the largest customer of this business segment which represented almost 85.9% of the garment sourcing and exporting turnover for the year under review.

Property Investment

During the year under review, rental generated from the two properties of the Group located at Ground and Cockloft Floor, No. 13 Matheson Street, Hong Kong and Ground Floor, No. 148 Johnston Road, Hong Kong was approximately HK\$3,344,000. As a result of change in the original investment plan in Huzhou, the People's Republic of China (the "PRC") (for details, please refer to the Company's announcements dated 24 February 2009 and 1 March 2010 for the reasons of change), the Board decided to increase revenue by leasing out the Huzhou's industrial buildings to local manufacturers. For the year ended 31 March 2011, the Group recorded rental of approximately HK\$1,948,000 from the leasing of the Huzhou's industrial buildings (2010: HK\$550,000). The market values of the Group's two investment properties in Hong Kong as at 31 March 2011 were revalued by professional valuer at approximately HK\$135,000,000, an increase in fair value of approximately HK\$35,217,000 for the year ended 31 March 2011. The value of the Huzhou industrial buildings were valued at approximately HK\$178,070,000, an increase in fair value of approximately HK\$2,157,000 for the year ended 31 March 2011.

Discontinued businesses

During the year under review, all outstanding orders from the discontinued bleaching, dyeing and knitting businesses were fulfilled by subcontracting out to third party manufacturers.

Geographical Analysis of Turnover

During the period, the turnover from the garment sourcing and exporting business was 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 the PRC.

Development on the Huzhou Project

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 the Zhili Town Government, 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 Hengtang Harbour, the 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. The transaction are now completed and fully paid.

Prospects

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

As regard to the Huzhou Project, the Board together with the Zhili Town Government is looking at other options for the use of the land marked for garment manufacturing operation. As the first step, the Zhili Town Government has agreed that we can use the building of two factory blocks for leasing purposes.

The Group’s major market for the garment sourcing and exporting businesses will remain focus on the US and Europe, which are relatively mature and where the customers 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 has 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 been rising in the past year. This reflects Hong Kong remaining one of the most attractive markets for property investment. The Board will keep the two properties for investment purpose and constantly look for other opportunities to maximise shareholders' return.

As disclosed in the announcement of the Company dated 31 December 2010 in relation to the Group's new business direction, the Company is exploring investment opportunities in hotel and serviced apartment projects. Notwithstanding, the Company currently has not identified any specific acquisition target.

Liquidity and Financial Resources

During the year ended 31 March 2011, the Group financed its operations mainly by internally generated resources, and the net proceeds of approximately HK\$64,000,000 raised from the Rights Issue, details of the Rights Issue are shown in section "Capital Structure" below. As at 31 March 2011 and 31 March 2010, the Group had no outstanding bank borrowings. Shareholders' funds of the Group as at 31 March 2011 was approximately HK\$628,362,000 (2010: approximately HK\$489,983,000). As the Group had no borrowings as at 31 March 2011 and 31 March 2010, no gearing ratio of the Group was presented.

The Group continued to sustain a liquidity position. As at 31 March 2011, the Group had net current assets of approximately HK\$280,808,000 (2010: approximately HK\$187,649,000) and cash and cash equivalents of approximately HK\$181,876,000 (2010: approximately HK\$127,912,000). The Group's cash and cash equivalents were mainly denominated in Hong Kong dollars, Renminbi and US dollars. As at 31 March 2011, the Group's current ratio was approximately 6.6 (2010: approximately 5.6), which was calculated on the basis of current assets of approximately HK\$330,468,000 (2010: approximately HK\$191,380,000) and assets classified as held for sale of approximately HK\$227,000 (2010: approximately HK\$36,834,000) to current liabilities of approximately HK\$49,887,000 (2010: approximately HK\$40,565,000). 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

On 5 January 2011, the Company entered into an underwriting agreement in relation to the rights issue of 183,562,225 rights shares at the subscription price of HK\$0.35 per rights share on the basis of one rights share for every two shares held. Details of the aforesaid rights issue were set out in the Company's announcement and prospectus dated 5 January 2011 and 11 February 2011 respectively.

Save as disclosed above, the Group had no debt securities or other capital instruments as at 31 March 2011 and up to the date of this announcement.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries and associated companies for the year ended 31 March 2011.

Charges on Group Assets

The Group did not have any charges on assets as at 31 March 2011.

Capital Expenditure and Capital Commitments

During the year ended 31 March 2011, the Group spent approximately HK\$59,000 on acquisition of property, plant and equipment (2010: approximately HK\$1,115,000).

As at 31 March 2011, the Group had capital commitments in respect of capital expenditure contracted but not provided for of approximately HK\$1,344,000 (2010: approximately HK\$2,142,000) and had no capital expenditure authorised but not contracted for (2010: nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2011 (2010: nil).

Significant Investment

Save as disclosed above, the Group did not have any significant investment held as at 31 March 2011.

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 2011, the Group employed approximately 40 full time management, technical, administrative staff and workers in Hong Kong and the PRC. Staff cost (including directors' emoluments) amounted to approximately HK\$14,518,000 for the year under review (2010: approximately HK\$8,763,000). 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 2011.

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 2011.

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 2011 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 2011 which will be despatched to the shareholders of the Company in July 2011.

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 2011.

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

Hong Kong, 22 June 2011

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.