



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永 義 國 際 集 團 有 限 公 司

(Stock Code 股份代號: 1218)

2009
Interim Report
中期業績報告

The board of directors of Easyknit International Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2009 together with comparative figures. These interim financial statements have been reviewed by the Company's audit committee.

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

		Six months ended	
		30 September	
	<i>NOTES</i>	2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	241,535	216,887
Cost of sales		(198,600)	(174,028)
Gross profit		42,935	42,859
Other income		6,626	11,797
Distribution and selling expenses		(5,200)	(4,868)
Administrative expenses		(22,294)	(24,281)
Gain (loss) arising on fair value changes of investment properties		59,103	(16,850)
Gain (loss) on fair value changes of investments held for trading		24,659	(42,881)
Gain (loss) on fair value changes of structured deposit		1,047	(461)
Gain on disposal of available-for-sale investments		—	3,803
Gain on partial disposal of interests in associates	4	—	1,021
Impairment loss on available-for-sale investments		—	(22,699)
Share of results of associates		(5,061)	(4,883)
Profit (loss) before taxation	5	101,815	(57,443)
Taxation (charge) credit	6	(16,221)	8,157
Profit (loss) for the period attributable to owners of the Company		85,594	(49,286)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Cont'd)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

		Six months ended	
		30 September	
	<i>NOTE</i>	2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expense)			
Change in fair value of available-for-sale investments		30,771	(22,922)
Exchange difference arising on translation of foreign operations		—	1
Share of translation reserve of associates		—	1,109
Reclassification adjustment relating to disposal of available-for-sale investments		—	(3,803)
Reclassification adjustment relating to impairment loss on available-for-sale investments		—	22,699
		<hr/>	<hr/>
Other comprehensive income (expense) for the period attributable to owners of the Company		30,771	(2,916)
		<hr/>	<hr/>
Total comprehensive income (expense) for the period attributable to owners of the Company		116,365	(52,202)
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings (loss) per share	7	HK cents 10.8	HK cents (6.2)
		<hr/> <hr/>	<hr/> <hr/>

**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	9	14,976	15,489
Properties held for development	10	108,231	99,000
Investment properties	11	552,251	544,920
Intangible asset		921	921
Interests in associates		107,975	113,036
Available-for-sale investments		64,662	33,891
		<hr/> 849,016 <hr/>	<hr/> 807,257 <hr/>
Current assets			
Properties held for development	10	191,678	181,204
Investments held for trading		71,066	93,420
Inventories		1,155	3,490
Trade and other receivables	12	27,300	44,060
Loans receivable	13	77,110	86,068
Bills receivable	14	37,919	39,180
Tax recoverable		31	31
Structured deposit	15	—	24,045
Bank balances and cash		301,309	165,147
		<hr/> 707,568 <hr/>	<hr/> 636,645 <hr/>
Asset classified as held for sale	16	51,824	—
		<hr/> 759,392 <hr/>	<hr/> 636,645 <hr/>
Current liabilities			
Trade and other payables	17	58,693	28,692
Bills payable	14	11,633	9,683
Tax payable		26,676	25,657
		<hr/> 97,002 <hr/>	<hr/> 64,032 <hr/>
Net current assets		<hr/> 662,390 <hr/>	<hr/> 572,613 <hr/>
		<hr/> 1,511,406 <hr/>	<hr/> 1,379,870 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Cont'd)
AT 30 SEPTEMBER 2009

	<i>NOTES</i>	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Capital and reserves			
Share capital	18	7,942	7,942
Reserves		1,473,607	1,357,242
		<hr/> 1,481,549	<hr/> 1,365,184
Non-current liabilities			
Deferred taxation	19	29,857	14,686
		<hr/> 1,511,406 <hr/>	<hr/> 1,379,870 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2009 (audited)	7,942	218,330	196,565	7,429	9,800	220,937	—	2,521	701,660	1,365,184
Change in fair value of available-for-sale investments	—	—	—	—	—	—	30,771	—	—	30,771
Profit for the period	—	—	—	—	—	—	—	—	85,594	85,594
Total comprehensive income for the period	—	—	—	—	—	—	30,771	—	85,594	116,365
At 30 September 2009 (unaudited)	<u>7,942</u>	<u>218,330</u>	<u>196,565</u>	<u>7,429</u>	<u>9,800</u>	<u>220,937</u>	<u>30,771</u>	<u>2,521</u>	<u>787,254</u>	<u>1,481,549</u>
At 1 April 2008 (audited)	7,942	218,330	196,565	6,364	9,800	220,937	4,026	2,521	803,044	1,469,529
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(22,922)	—	—	(22,922)
Exchange difference on translation of foreign operations	—	—	—	1	—	—	—	—	—	1
Share of translation reserve of associates	—	—	—	1,109	—	—	—	—	—	1,109
Released on disposal of available-for-sale investments	—	—	—	—	—	—	(3,803)	—	—	(3,803)
Impairment loss on available-for-sale investments	—	—	—	—	—	—	22,699	—	—	22,699
Loss for the period	—	—	—	—	—	—	—	—	(49,286)	(49,286)
Total comprehensive income (expense) for the period	—	—	—	1,110	—	—	(4,026)	—	(49,286)	(52,202)
At 30 September 2008 (unaudited)	<u>7,942</u>	<u>218,330</u>	<u>196,565</u>	<u>7,474</u>	<u>9,800</u>	<u>220,937</u>	<u>—</u>	<u>2,521</u>	<u>753,758</u>	<u>1,417,327</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	92,799	(39,485)
Net cash from (used in) investing activities		
Proceeds on maturity of structured deposit	25,092	—
Deposit received in respect of disposal of an investment property	15,547	—
Proceeds on disposal of available-for -sale investments	—	13,536
Purchase of structured deposit	—	(23,250)
Increase in bank deposit with original maturity over three months	—	(10,867)
Other investing activities	2,724	5,558
	43,363	(15,023)
Net increase (decrease) in cash and cash equivalents	136,162	(54,508)
Cash and cash equivalents at beginning of the period	165,147	281,315
Cash and cash equivalents at end of the period, represented by bank balances and cash	301,309	226,807

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

1. GENERAL AND 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 "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis 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 accounting policy of non-current assets held for sale as stated below.

Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard and has not resulted in a redesignation of the Group's reportable segment (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

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.

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 may have impact on the results and financial position of the Group but the directors of the Company are still assessing the impact.

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 ("CODM"), 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 and is currently organised into five main operating divisions – (i) garment sourcing and exporting, (ii) property investments, (iii) property development, (iv) investment in securities and (v) loan financing. The directors of the Company consider that the adoption of HKFRS 8 has not resulted in a redesignation of the reportable segments for the Group compared with the primary reportable segments disclosed in the annual financial statements for the year ended 31 March 2009.

3. SEGMENT INFORMATION (Cont'd)

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors of the Company, being the CODM of the Group. The executive directors assess 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 (share of results of associates, gain on partial disposal of interests in associates, income tax expenses and corporate income and expenses).

For the six months ended 30 September 2009

	Garment sourcing and exporting HK\$'000	Property investments HK\$'000	Property development HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover							
External	226,638	14,897	—	—	—	—	241,535
Inter-segment	—	1,509	—	—	—	(1,509)	—
	<u>226,638</u>	<u>16,406</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,509)</u>	<u>241,535</u>
Result							
Segment result	<u>6,630</u>	<u>73,641</u>	<u>(790)</u>	<u>28,193</u>	<u>2,542</u>	<u>(1,167)</u>	109,049
Unallocated corporate income							1,137
Unallocated corporate expenses							(3,310)
Share of results of associates							<u>(5,061)</u>
Profit before taxation							101,815
Taxation charge							<u>(16,221)</u>
Profit for the period							<u>85,594</u>

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

3. SEGMENT INFORMATION (Cont'd)

For the six months ended 30 September 2008

	Garment sourcing and exporting <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover							
External	200,927	13,772	2,188	—	—	—	216,887
Inter-segment	—	1,509	—	—	—	(1,509)	—
	<u>200,927</u>	<u>15,281</u>	<u>2,188</u>	<u>—</u>	<u>—</u>	<u>(1,509)</u>	<u>216,887</u>
Result							
Segment result	<u>6,576</u>	<u>(3,553)</u>	<u>345</u>	<u>(56,968)</u>	<u>3,288</u>	<u>(1,607)</u>	<u>(51,919)</u>
Unallocated corporate income							2,736
Unallocated corporate expenses							(4,398)
Gain on partial disposal of interests in associates							1,021
Share of results of associates							(4,883)
Loss before taxation							(57,443)
Taxation credit							8,157
Loss for the period							<u>(49,286)</u>

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

4. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN ASSOCIATES

During the six months ended 30 September 2008, the holder of the convertible note issued by Easyknit Enterprises Holdings Limited ("Easyknit Enterprises"), an associate of the Group, exercised his conversion right and converted the whole amount of the convertible note at its par value of HK\$37,650,000 into 784,375,000 new ordinary shares of Easyknit Enterprises at a conversion price of HK\$0.048 per conversion share. The Group's interest in Easyknit Enterprises was diluted from approximately 35.93% to 31.70% and the gain on partial disposal of interests in associates amounting to HK\$1,021,000 (six months ended 30 September 2009: nil) was recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2008. Shares of Easyknit Enterprises are also listed on the Stock Exchange.

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of land portion of properties held for development	790	—
Depreciation of property, plant and equipment	525	547
Net exchange loss (included in administrative expenses)	29	2,749
and after crediting:		
Dividend income from listed investments	3,534	5,270
Interest income	2,742	6,109
	<u> </u>	<u> </u>

6. TAXATION

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	<u>1,050</u>	<u>34</u>
Deferred taxation (note 19)		
Charge (credit) for the period	15,171	(6,942)
Attributable to a change in tax rate	<u>—</u>	<u>(1,249)</u>
	<u>15,171</u>	<u>(8,191)</u>
Tax charge (credit) attributable to the Company and its subsidiaries	<u>16,221</u>	<u>(8,157)</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2008: 16.5%) of the estimated assessable profit for the period.

7. BASIC EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September 2009	2008
	HK\$'000	HK\$'000
Earnings (loss) attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	<u>85,594</u>	<u>(49,286)</u>
	Six months ended 30 September 2009	2008
<u>Number of shares</u>		
Number of shares for the purpose of calculating basic earnings (loss) per share	<u>794,204,028</u>	<u>794,204,028</u>

No diluted earnings (loss) per share is presented as the Company has no potential ordinary shares outstanding during both periods.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$12,000 (six months ended 30 September 2008: HK\$141,000) on acquisition of property, plant and equipment.

10. PROPERTIES HELD FOR DEVELOPMENT

	30 September 2009	31 March 2009
	HK\$'000	HK\$'000
Carrying amount of properties held for development shown in the condensed consolidated statement of financial position as:		
Non-current assets	108,231	99,000
Current assets	<u>191,678</u>	<u>181,204</u>
	<u>299,909</u>	<u>280,204</u>

At 31 March 2009, the Group held 11 out of the 12 units in a building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B and 313C Prince Edward Road West, Kowloon, Hong Kong) (the "313 Prince Edward Road Building"). During the six months ended 30 September 2009, the Group acquired the remaining one unit of the 313 Prince Edward Road Building at a consideration of HK\$10,021,000 (including direct costs).

10. PROPERTIES HELD FOR DEVELOPMENT (Cont'd)

As announced by the Company on 17 July 2009, the Group entered into a conditional sale and purchase agreement with a vendor to acquire the entire issued share capital of Kingbest Capital Holdings Limited ("Kingbest") for a total consideration of HK\$2,440,000. The acquisition of Kingbest which was completed on 6 October 2009 enables the Group to acquire all units in a building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B and 311D Prince Edward Road West, Kowloon, Hong Kong) (the "311 Prince Edward Road Building"). The directors of the Company intend to redevelop the 311 Prince Edward Road Building together with the 313 Prince Edward Road Building for sale. The properties held for development in respect of the 313 Prince Edward Road Building of HK\$108,231,000 (31 March 2009: HK\$99,000,000) were not included in the Group's current assets in the condensed consolidated statement of financial position at 30 September 2009 because all conditions for completion of the acquisition of the 311 Prince Edward Road Building have not been fulfilled at 30 September 2009.

11. INVESTMENT PROPERTIES

The Group's investment properties are held for rental purposes under operating leases. They were valued by Knight Frank Petty Limited, a firm of independent professional valuers, at 30 September 2009. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The gain arising on change in fair value of the investment properties of HK\$59,103,000 has been recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2009 (six months ended 30 September 2008: loss arising on change in fair value of HK\$16,850,000).

12. TRADE AND OTHER RECEIVABLES

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Trade receivables	11,999	11,704
Deposits to suppliers	10,044	26,476
Other receivables	5,257	5,880
	27,300	44,060

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

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
0 – 60 days	11,194	10,411
61 – 90 days	656	1,245
Over 90 days	149	48
	11,999	11,704

13. LOANS RECEIVABLE

The amount at 30 September 2009 included an interest-free advance to Kingbest amounting to HK\$7,410,000 (see note 21(a)). The loan to Kingbest shall be used exclusively in and towards payment of the deposits in respect of the property purchase agreements entered into by Kingbest as purchaser of the units in the 311 Prince Edward Road Building.

14. BILLS RECEIVABLE/BILLS PAYABLE

The bills receivable and bills payable of the Group are aged within 90 days at the end of the reporting period.

15. STRUCTURED DEPOSIT

The Group did not have structured deposit at 30 September 2009. During the year ended 31 March 2009, the Group placed a structured deposit with a financial institution in Hong Kong. The structured deposit contained embedded derivative, the return of which was determined with reference to the change in exchange rate between RMB and USD quoted in the market. The structured deposit was designated as fair value through profit or loss at initial recognition.

Major terms of the structured deposit at 31 March 2009 were as follows:

Principal amount	Maturity	Annual coupon rate
USD3,000,000 (Equivalent to HK\$23,250,000)	2 July 2009	0% to 10% (note)

Note: The annual coupon rate was dependent on whether the spot rate for conversion of USD for RMB as prevailing in the international foreign exchange market falls within ranges as specified in the agreement during the period from the inception date to the maturity date of the agreement.

At 31 March 2009, the structured deposit was stated at fair value based on valuation provided by the counterparty financial institution for equivalent instruments. The fair value was calculated using discounted cashflow analyses based on the applicable yield curve of relevant interest rate and exchange rates.

The structured deposit matured on 2 July 2009 at a fair value of HK\$25,092,000 and cash proceeds of HK\$25,092,000 were received by the Group.

16. ASSET CLASSIFIED AS HELD FOR SALE

During the six months ended 30 September 2009, a wholly-owned subsidiary of the Company received and accepted an offer from the Urban Renewal Authority to purchase the Group's investment property located at G/F, No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK\$47,113,000 plus an allowance of HK\$4,711,000. The carrying amount of the investment property classified as held for sale as at 30 September 2009 was HK\$51,824,000.

This disposal of investment property, which was approved by the shareholders of the Company at a special general meeting held on 3 September 2009, was completed on 5 October 2009.

17. TRADE AND OTHER PAYABLES

The amount at 30 September 2009 included an amount of HK\$15,547,000 representing deposit received in respect of disposal of an investment property. Further details about this disposal are set out in note 16.

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

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
0 – 60 days	21,185	10,419
61 – 90 days	—	11
Over 90 days	92	4
	21,277	10,434

18. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 April 2008, 31 March 2009 and 30 September 2009	0.01	<u>100,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
At 1 April 2008, 31 March 2009 and 30 September 2009	0.01	<u>794,204,028</u>	<u>7,942</u>

19. DEFERRED TAXATION

Major deferred tax liabilities and assets recognised and movements thereon are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008	256	37,092	(15,505)	21,843
Effect of change in tax rate	(15)	(2,120)	886	(1,249)
Charge (credit) to the condensed consolidated statement of comprehensive income	<u>18</u>	<u>(1,743)</u>	<u>(5,217)</u>	<u>(6,942)</u>
At 30 September 2008	259	33,229	(19,836)	13,652
(Credit) charge to the condensed consolidated statement of comprehensive income	<u>(13)</u>	<u>720</u>	<u>327</u>	<u>1,034</u>
At 31 March 2009	246	33,949	(19,509)	14,686
Charge to the condensed consolidated statement of comprehensive income	<u>11</u>	<u>8,413</u>	<u>6,747</u>	<u>15,171</u>
At 30 September 2009	<u><u>257</u></u>	<u><u>42,362</u></u>	<u><u>(12,762)</u></u>	<u><u>29,857</u></u>

For the purposes of the presentation in the consolidated statement of financial position, the above deferred tax liabilities and assets have been offset.

At 30 September 2009, the Group has unused tax losses of HK\$161,353,000 (31 March 2009: HK\$210,532,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$77,349,000 (31 March 2009: HK\$118,239,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$83,974,000 (31 March 2009: HK\$93,192,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely except for losses of HK\$54,877,000 (31 March 2009: HK\$54,877,000) which will expire as follows:

	30 September 2009 <i>HK\$'000</i>	31 March 2009 <i>HK\$'000</i>
Year of expiry:		
2022	1,821	1,821
2023	2,163	2,163
2024	11,225	11,225
2025	13,272	13,272
2026	7,650	7,650
2027	9,022	9,022
2028	7,300	7,300
2029	2,424	2,424
	<u><u>54,877</u></u>	<u><u>54,877</u></u>

20. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the period, the Group had the following transactions with related parties/persons deemed to be “connected persons” pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange, being entities controlled by certain relatives of Ms. Lui Yuk Chu, a director of the Company, and her spouse, Mr. Koon Wing Yee:

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Rental income	183	193

- (b) During the six months ended 30 September 2009, the Group provided administrative services to Easyknit Enterprises and received service income of HK\$120,000 (six months ended 30 September 2008: HK\$120,000) from Easyknit Enterprises. Easyknit Enterprises is an associate of the Group and a company in which Ms. Lui Yuk Chu, a director of the Company, has beneficial interests.
- (c) Compensation of key management personnel

The remuneration of directors and other members of key management during the period amounted to HK\$3,562,000 (six months ended 30 September 2008: HK\$3,011,000).

21. EVENTS AFTER THE END OF THE INTERIM PERIOD

- (a) As announced by the Company on 17 July 2009 and as set out in note 10, the Group entered into a conditional sale and purchase agreement with a vendor to acquire the entire issued share capital of Kingbest for a total consideration of HK\$2,440,000. The Group also agreed to advance an interest-free loan to Kingbest up to an aggregate amount not exceeding HK\$7,410,000 (see note 13). Kingbest is a limited liability company incorporated in the British Virgin Islands and is the purchaser under various property purchase agreements. The acquisition of Kingbest will enable the Group to acquire the 311 Prince Edward Road Building. In addition, the vendor granted to the Group an option to require the vendor to purchase from the Group the entire issued share capital of Kingbest if completion of any units does not take place or if in the sole opinion of the Group, the title of the units is defective, or vacant possession of the units is not obtained on the specified dates, at a consideration equivalent to the aggregate of HK\$2,440,000 and total sum paid by Kingbest and the Group. The option may be exercised by the Group by notice in writing to the vendor any time on or before 31 October 2009. This proposed acquisition was approved by the shareholders of the Company at a special general meeting held on 3 September 2009.

As announced by the Company on 4 November 2009, the acquisition of the entire issued share capital of Kingbest was completed on 6 October 2009 and the completion of all property purchase agreements was on 20 October 2009. The Group did not exercise the option granted by the vendor and the option expired on 31 October 2009.

21. EVENTS AFTER THE END OF THE INTERIM PERIOD (Cont'd)

- (b) As announced by the Company on 25 August 2009, Easyknit Enterprises, the Group's associate, proposed on 25 August 2009 to undertake a capital reorganisation exercise and thereafter, to raise approximately HK\$111.6 million (before expenses) by way of a rights issue of 293,699,560 rights shares at a subscription price of HK\$0.38 per rights share, payable in full on acceptance. The Group has conditionally undertaken to Easyknit Enterprises and the underwriter of the rights issue that, among others, the rights shares to be allotted to the Group shall be taken up in full. The subscription cost amounted to approximately HK\$35.4 million based on the Group's shareholding in Easyknit Enterprises. The Group did not apply for any excess rights shares.
- (c) As announced by the Company on 16 October 2009, the Group entered into two separate conditional sale and purchase agreements in respect of the acquisitions of the entire issued share capital of Grow Well Profits Limited ("Grow Well") and Supertop Investment Limited ("Supertop"). Pursuant to the sale and purchase agreement in respect of the acquisition of Grow Well (the "Grow Well Agreement"), the Group conditionally agreed to acquire the entire issued share capital of Grow Well and two interest-free shareholder's loans due by Grow Well for a consideration of HK\$123,120,000. Grow Well owns investment properties in Singapore. Pursuant to the sale and purchase agreement in respect of the acquisition of Supertop (the "Supertop Agreement"), the Group conditionally agreed to acquire the entire issued share capital of Supertop for a consideration of HK\$104,350,000. Supertop, through its wholly-owned subsidiary, owns investment properties in Hong Kong. The Grow Well Agreement and the Supertop Agreement are independent of each other and are not inter-conditional. Ms. Lui Yuk Chu, a director of the Company, is the vendor of Grow Well and Supertop.

The above proposed acquisitions, which are also connected transactions for the Company, will be subject to shareholders' approval at a special general meeting. Other details of the above proposed acquisitions are set out in the announcement of the Company dated 16 October 2009 and the circular of the Company dated 4 December 2009.

- (d) As announced by the Company on 3 December 2009, the Group acquired 915,000 shares of an equity security listed in Hong Kong, which was classified as investments held for trading, at a consideration of HK\$8,308,000 and subsequently disposed of all the equity security shares through the market for an aggregate gross proceeds of HK\$8,213,000 (exclusive of transaction costs).
- (e) As announced by the Company on 8 December 2009, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with a wholly-owned subsidiary of the Group's associate, Easyknit Enterprises, to dispose of the entire issued share capital of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited, wholly-owned subsidiaries of the Company and principally engaged in garment trading, at an aggregate consideration of HK\$80 million. In addition, the Company proposed to effect a share consolidation pursuant to which every ten issued and unissued shares of the Company of HK\$0.01 each will be consolidated into one consolidated share of HK\$0.10 each.

Details of the above proposed disposal and the proposed share consolidation are set out in the joint announcement of the Company and Easyknit Enterprises dated 8 December 2009.

INTERIM DIVIDEND

The board of directors 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

For the six months ended 30 September 2009, the Group recorded a turnover of approximately HK\$241,535,000, representing an increase of approximately 11.4% as compared to approximately HK\$216,887,000 for the same period last year. Gross profit slightly increased to approximately HK\$42,935,000 from approximately HK\$42,859,000 for the corresponding period last year. Gross profit margin decreased from 19.8% to 17.8%.

Profit attributable to shareholders was approximately HK\$85,594,000 as compared to loss attributable to shareholders of approximately HK\$49,286,000 for the corresponding period last year. Such profit was largely attributable to (i) the gain arising on changes in fair value of investment properties of approximately HK\$59,103,000 (six months ended 30 September 2008: loss of approximately HK\$16,850,000), (ii) the gain on fair value changes of investments held for trading of approximately HK\$24,659,000 (six months ended 30 September 2008: loss of approximately HK\$42,881,000), and (iii) no impairment loss on available-for-sale investments was recognised (six months ended 30 September 2008: loss of approximately HK\$22,699,000) during the period. Basic earnings per share was approximately HK cents 10.8 (six months ended 30 September 2008: basic loss per share was approximately HK cents 6.2).

Cost of sales increased by approximately 14.1% to approximately HK\$198,600,000, from approximately HK\$174,028,000 for the corresponding period last year. The total operating expenses decreased by approximately 5.7% to approximately HK\$27,494,000 (six months ended 30 September 2008: approximately HK\$29,149,000).

No finance cost was incurred for the six months ended 30 September 2009 as there was no bank borrowing during the period under review.

Business Review

During the six months ended 30 September 2009, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, property investment and development, investment in securities and loan financing.

Garment Sourcing and Exporting

During the period under review, the turnover for the Group's major business in garment sourcing and exporting reached approximately HK\$226,638,000 (six months ended 30 September 2008: approximately HK\$200,927,000), representing an increase of approximately 12.8% for the same period last year. It constituted an approximately 93.8% of the Group's total turnover (six months ended 30 September 2008: approximately 92.6%). Profit gained from this segment maintained at approximately HK\$6,630,000 (six months ended 30 September 2008: approximately HK\$6,576,000). The product mix of infants wear and ladies wear changed from 42:39 for the six months ended 30 September 2008 to 39:30 for the corresponding period this year.

Property Investment and Development

During the period under review, the property investment and development segments contributed approximately HK\$14,897,000 or 6.2% (six months ended 30 September 2008: approximately HK\$15,960,000 or 7.4%) to the Group's total turnover. A gain of approximately HK\$72,851,000 of these segments were recorded (six months ended 30 September 2008: loss of approximately HK\$3,208,000) due to the gain arising on changes in fair value of investment properties of approximately HK\$59,103,000. Rental income from properties which are all located in Hong Kong increased approximately 8.2% to approximately HK\$14,746,000 (six months ended 30 September 2008: approximately HK\$13,626,000). As at 30 September 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 87%. The building management fee income was approximately HK\$151,000 (six months ended 30 September 2008: approximately HK\$146,000).

The Group completed the acquisition of 11 out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) ("Prince Edward Road Building") in October 2008. During the period, the Group acquired the remaining one unit of the Prince Edward Road Building at a consideration of HK\$9,500,000 and become the owner of the whole building. The Group intends to use the building for re-development purpose.

The Company has announced on 15 July 2009 that its wholly-owned subsidiary had received and accepted an offer from the Urban Renewal Authority to purchase the Group's property located at G/F, No. 8 Yue Man Square, Kowloon, Hong Kong at a consideration of HK\$47,113,000 plus an allowance of HK\$4,711,000. As the said disposal of property constituted a major transaction of the Company under the Listing Rules, approval of shareholders was obtained at a special general meeting of the Company held on 3 September 2009. Completion took place on 5 October 2009.

Geographical Analysis of Turnover

The US continued to be the major export market and contributed 88.4% to the Group's total turnover (six months ended 30 September 2008: approximately 84.5%). Besides the US, Hong Kong and Europe contributed 6.2% and 5.4% respectively to the Group's total turnover.

Prospects

Garment Sourcing and Exporting

On 8 December 2009, the Company announced the proposed disposal of its garment trading business to its associate company, Easyknit Enterprises Holdings Limited, to streamline the business. The aforesaid proposed disposal of garment trading business of the Group constitutes a very substantial disposal under the Listing Rules and is subject to shareholders' approval at a special general meeting to be convened. Upon completion of the proposed disposal, the Group will focus mainly on property investment and development business.

Property Investment and Development

The property investment market in Hong Kong revives quickly after the global economic tsunami. According to the statistics from the Land Registry, the total number of agreements for sale and purchase of all types of building units received for registration in June 2009 was 15,747, reaching a two-year high. This was a 32% growth compared with June 2008. Being the backdoor of China, Hong Kong remains attractive to property investors. Eyeing the future growth of property market in Hong Kong, the Group is confident to the re-development potential of project on hand.

In October 2009, the Group completed the purchase of all the 6 units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) through the acquisition of the entire issued share capital of Kingbest Capital Holdings Limited. The building is adjacent to the Prince Edward Road Building. The Board intends that both buildings will be redeveloped together.

On 14 October 2009, the Group entered into two separate conditional sale and purchase agreements with Ms. Lui Yuk Chu, the Vice President and executive director of the Company, to acquire three investment properties in Singapore and seven investment properties in Hong Kong at an aggregate consideration of HK\$227,470,000. The proposed acquisitions constitute a very substantial acquisition and connected transaction of the Company which are subject to shareholders' approval at a special general meeting to be convened. Details of the acquisitions were set out in the Company's circular dated 4 December 2009. The Board considers that the acquisitions enable the Group to expand its property investment portfolio and provide the Group with further potential income from property investment. The Board intends to fund the acquisition of the properties from internally generated funds.

Liquidity and Financial Resources

During the six months ended 30 September 2009, the Group financed its operations mainly by internally generated resources. As the Group had no bank borrowings as at 30 September 2009 (31 March 2009: nil), no gearing ratio of the Group was presented.

The Group continued to sustain a good liquidity position. As at 30 September 2009, the Group had net current assets of approximately HK\$662,390,000 (31 March 2009: approximately HK\$572,613,000) and cash and cash equivalents of approximately HK\$301,309,000 (31 March 2009: approximately HK\$165,147,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 30 September 2009, the current ratio of the Group was approximately 7.8 (31 March 2009: approximately 9.9), which was calculated on the basis of current assets and asset classified as held for sale in aggregate of approximately HK\$759,392,000 (31 March 2009: approximately HK\$636,645,000) to current liabilities of approximately HK\$97,002,000 (31 March 2009: approximately HK\$64,032,000). During the period under review, the Group serviced its debts primarily through internally generated resources.

The directors believe that the Group has sufficient financial resources for its operations. The directors will remain cautious in the Group's liquidity management.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Most of the Group's revenues and payments are in Hong Kong dollars and US dollars. As the Hong Kong dollars are pegged to the US dollars, the Group had no significant exposure to fluctuations in exchange rates during the period under review. Hence, no financial instrument for hedging purposes was employed.

Capital Structure

The Group has no debt securities or other capital instruments as at 30 September 2009 and up to the date of this report.

Material Acquisitions and Disposals

Save as disclosed above, the Group had entered into the following material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2009.

As announced by the Company and Easyknit Enterprises Holdings Limited, an associate of the Company, on 25 August 2009, Easyknit Enterprises Holdings Limited proposed to raise approximately HK\$111.6 million before expenses by way of rights issue of 293,699,560 rights shares at a subscription price of HK\$0.38 per rights shares on the basis of four rights shares for every share held (the "Rights Issue"). The Company, through Landmark Profits Limited, a wholly-owned subsidiary of the Company, had undertaken to Easyknit Enterprises Holdings Limited and the underwriter of the Rights Issue that, among others, the rights shares (representing 93,116,260 rights shares) to be allotted would be taken up in full. The subscription cost amounted to approximately HK\$35.4 million. Landmark Profits Limited would not apply for any excess rights shares. Details of the Rights Issue were set out in the Company's announcement dated 25 August 2009.

Charges on Group Assets

The Group did not have any charges on assets as at 30 September 2009 (31 March 2009: certain investment properties of the Group with carrying amount of approximately HK\$48,900,000 were pledged to banks to secure the banking facilities granted to the Group).

Capital Expenditure and Capital Commitments

During the six months ended 30 September 2009, the Group spent approximately HK\$12,000 (six months ended 30 September 2008: approximately HK\$141,000) on acquisition of property, plant and equipment.

As at 30 September 2009, the Group had no capital commitments (31 March 2009: nil).

Contingent Liabilities

As at 30 September 2009, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK\$11,633,000 (31 March 2009: approximately HK\$9,683,000) were supported by the Company's corporate guarantees given to the bank.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 September 2009.

Significant Investment

As at 30 September 2009, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK\$64,662,000 (31 March 2009: approximately HK\$33,891,000) and investments held for trading of approximately HK\$71,066,000 (31 March 2009: approximately HK\$93,420,000). All these investments were stated at fair value and their fair values were determined by reference to the bid prices quoted in active markets.

In respect of the listed securities performance for the period under review, the Group recorded a gain of approximately HK\$24,659,000 on fair value changes of investments held for trading (six months ended 30 September 2008: loss of approximately HK\$42,881,000). No impairment loss on available-for-sale investments was recognised (six months ended 30 September 2008: HK\$22,699,000) as a result of increase in market value of certain of the Group's listed equity investments upon the recovery of the economy recently.

As announced by the Company on 24 June 2009, the Group disposed of its entire shareholding in Sino Union Petroleum & Chemical International Limited on the market comprising 11,100,000 shares on 16 June 2009, 4,250,000 shares on 22 June 2009 and 14,530,000 shares on 23 June 2009 respectively for the aggregate gross sale proceeds of HK\$26,094,900 (exclusive of transaction costs).

As announced by the Company on 3 August 2009, the Group disposed on the market of an aggregate of 734,000 China Life Insurance Company Limited H shares on 29 July 2009 at the aggregate gross sale proceeds of HK\$25,604,200.

Save as disclosed herein, the Group did not have any significant investment held or any significant investment plans as at 30 September 2009.

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 save as the proposed purchase of Hong Kong and Singapore properties disclosed in the sections of the prospects of the property investment and development business and the subsequent events.

Subsequent Events

As announced by the Company on 16 October 2009, Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company had entered into two separate conditional sale and purchase agreements with Ms. Lui Yuk Chu, a director of the Company, in respect of the acquisitions of the entire issued share capital of Grow Well Profits Limited ("Grow Well") and Supertop Investment Limited ("Supertop"). Pursuant to the sale and purchase agreement in respect of the acquisition of Grow Well ("Grow Well Agreement"), Easyknit Properties Holdings Limited conditionally agreed to acquire the entire issued share capital of Grow Well and two interest-free shareholder's loans due by Grow Well for a consideration of HK\$123,120,000. Grow Well owns 3 investment properties in Singapore. Pursuant to the sale and purchase agreement in respect of the acquisition of Supertop ("Supertop Agreement"), Easyknit Properties Holdings Limited conditionally agreed to acquire the entire issued share capital of Supertop for a consideration of HK\$104,350,000. Supertop, through its wholly owned subsidiary, owns 7 investment properties in Hong Kong. The Grow Well Agreement and Supertop Agreement are independent of each other and are not inter-conditional. Ms. Lui Yuk Chu is the vendor of Grow Well and Supertop. The proposed acquisitions of Grow Well and Supertop constitute a very substantial acquisition and connected transaction of the Company which are subject to shareholders' approval at a special general meeting to be convened. Details of the acquisitions of Grow Well and Supertop were set out in the Company's circular dated 4 December 2009.

As announced on 3 December 2009, the Group had acquired 915,000 China Minsheng Banking Corp., Ltd H shares ("China Minsheng") at a total consideration of approximately HK\$8,308,000 (exclusive of transaction costs). The Group had since then disposed of its entire 915,000 China Minsheng shares on the Stock Exchange.

As announced by the company on 8 December 2009, Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, had entered into the conditional sale and purchase agreement with Quick Easy Limited, a wholly-owned subsidiary of Easyknit Enterprises Holdings Limited, in respect of which Easyknit Properties Holdings Limited conditionally agreed to sell, or procure the sale of, the entire issued share capital of Easyknit Global Company Limited, Easyknit Worldwide Company Limited and Grand Profit Development Limited (the "Target Companies"), all of which are wholly-owned subsidiaries of the Company which engage in the business of garment sourcing and trading business, to Quick Easy Limited for aggregate consideration of HK\$80,000,000 (the "Disposal"). Completion of the Disposal is conditional upon (i) the satisfaction of the Group with its due diligence review of the legal and financial affairs of the Target Companies; (2) approval of the sale and purchase agreement by the shareholders of the Company as required under the Listing Rules; and (3) approval of the sales and purchase agreement by the shareholders of Easyknit Enterprises Holdings Limited. Details of the Disposal were set out in the Company's announcement dated 8 December 2009.

In the same announcement dated 8 December 2009, the Company also proposed to put forward for approval by the Company's shareholders the share consolidation in which every 10 issued and unissued Company's shares of HK\$0.01 each will be consolidated into 1 consolidated issued and unissued Company's share of HK\$0.10 each respectively.

Employment and Remuneration Policy

As at 30 September 2009, the number of employees of the Group in Hong Kong and the US was about 60 and 8 respectively. Staff costs (including directors' emoluments) amounted to approximately HK\$13,327,000 for the period under review (six months ended 30 September 2008: approximately HK\$13,936,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the pension scheme for the US staff. The Group also has a share option scheme to motivate valued employees.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2009, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

A. Interests in the Company

Name of director	Capacity	Number of issued ordinary shares held (long position)	Approximate percentage to issued ordinary shares of the Company
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	291,794,804	36.74%

Note: These shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).

DIRECTORS' INTERESTS IN SECURITIES (Cont'd)

B. Interests in associated corporations

1. Easyknit Enterprises Holdings Limited ("Easyknit Enterprises")

(a) Interests in issued ordinary shares

Name of director	Capacity	Number of issued ordinary shares held (long position)	Approximate percentage to issued ordinary shares of Easyknit Enterprises
Lui Yuk Chu (Note)	Beneficiary of a trust	232,790,657	31.70%

Note: These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).

(b) Interests in unissued ordinary shares

Name of director	Capacity	Number of unissued ordinary shares held (long position)
Lui Yuk Chu (Note)	Beneficiary of a trust	93,116,260

Note: The 93,116,260 unissued ordinary shares are the rights shares which Landmark Profits Limited had undertaken to accept in respect of its pro rata entitlements under the rights issue of Easyknit Enterprises as disclosed in the Company's announcement dated 25 August 2009. Landmark Profits Limited was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued shares capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than her spouse).

DIRECTORS' INTERESTS IN SECURITIES (Cont'd)

B. Interests in associated corporations (Cont'd)

2. Wellmake Investments Limited ("Wellmake") (Note a)

Name of director	Capacity	Number of non-voting deferred shares held (long position)	Percentage to issued non-voting deferred shares of Wellmake
Lui Yuk Chu	(Note b)	2	100%

Notes:

- (a) All the issued ordinary shares in the share capital of Wellmake which carry voting rights were held by the Company.
- (b) One non-voting deferred share was held by Ms. Lui Yuk Chu as beneficial owner and the other one was held by her spouse, Mr. Koon Wing Yee.

Save as disclosed above, as at 30 September 2009, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2009 was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

SHARE OPTION SCHEME

On 18 February 2002, a share option scheme (the "Scheme") was approved by the shareholders of the Company pursuant to the requirements of Chapter 17 of the Listing Rules. No share options were granted, exercised or cancelled under the Scheme during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, the persons (other than the directors or chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Number of issued ordinary shares held (long position)	Approximate percentage to issued ordinary shares of the Company
Koon Wing Yee <i>(Note a)</i>	Interest of spouse	291,794,804	36.74%
Magical Profits Limited <i>(Notes a & b)</i>	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited <i>(Note a)</i>	Interest of controlled corporation	291,794,804	36.74%
Hang Seng Bank Trustee International Limited <i>(Notes a & c)</i>	Trustee	291,794,804	36.74%
Hang Seng Bank Limited <i>(Note c)</i>	Interest of controlled corporation	291,794,804	36.74%
The Hongkong and Shanghai Banking Corporation Limited <i>(Notes c & d)</i>	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings BV <i>(Note d)</i>	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings (UK) <i>(Note d)</i>	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings BV <i>(Note d)</i>	Interest of controlled corporation	291,794,809	36.74%
HSBC Finance (Netherlands) <i>(Note d)</i>	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings plc <i>(Note d)</i>	Interest of controlled corporation	291,794,809	36.74%

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

- (a) The 291,794,804 shares relate to the same block of shares. These shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was a wholly-owned subsidiary of Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu was deemed to be interested in the 291,794,804 shares by virtue of the SFO.
- (b) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Magical Profits Limited.
- (c) Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited was owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited.
- (d) The 291,794,809 shares relate to the same block of shares. Out of the 291,794,809 shares, 291,794,804 shares were registered in the name of and were beneficially owned by Magical Profits Limited. The remaining 5 shares were held by HSBC Broking Securities (Asia) Limited, which was a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn was wholly-owned by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at 30 September 2009, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

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 six months ended 30 September 2009.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Tsui Chun Kong (Committee Chairman), Mr. Jong Koon Sang and Mr. Hon Tam Chun. The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed financial reporting matters, including review of the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2009.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Jong Koon Sang (Committee Chairman), Mr. Tsui Chun Kong and Mr. Hon Tam Chun. The Remuneration Committee reviews and 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.

EXECUTIVE COMMITTEE

The Company has established an Executive Committee with written terms of reference. 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 performance of management.

CORPORATE GOVERNANCE

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 Appendix 14 to the Listing Rules except for the following deviations:

Code provision A.2.1

Mr. Kwong Jimmy Cheung Tim is the President and Chief Executive Officer of the Company. The office of the President is equivalent to that of the Chairman for the purpose of the Company's Bye-Laws and the Companies Act 1981 of Bermuda (as amended). The board considers that the combination of the roles of President 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

All the non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation no later than the third annual general meeting after they were last elected or re-elected pursuant to the Bye-Laws of the Company.

The reasons for the above deviations are set out in the section headed "Corporate Governance Practices" in the "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31 March 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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
Easyknit International Holdings Limited
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

Hong Kong, 11 December 2009

As at the date of this report, 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. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.

* *for identification only*