

**EASYKNIT INTERNATIONAL HOLDINGS LTD :
EASY COME, EASY GO**

The one claim to fame of the 42-year-old Chairman of publicly listed Easyknit International Holdings Ltd is that Mr Koon Wing Yee was awarded the '*Young Entrepreneur Award*' in December 1994.

The only award that TARGET would deign to give to this man is that he is inept as well as being one of the greediest men ever to hold the position of chairman of a publicly listed company -- when that company is in times of strife.

Easyknit International, a company engaged in garment sourcing and export, principally, although it did give a fling to being a retailer and departmental store operator, has embarked on a policy, over the years, of issuing more and more shares for cash, and then, promptly, losing all the money that it raised either through the Chairman's incompetence, stupidity or ignorance – or any combination of the aforementioned.

Meanwhile, back in the boardroom of Easyknit International, Chairman Koon Wing Yee, over the past 3 years, has been making himself richer, and richer, and richer.

His 41-year-old wife, Madame Liu Yuk Chu, has been doing her part, too, in helping him to get richer – by taking a tidy little salary for herself, year, after year, after year.

Prior to the 1998 Financial Year of Easyknit International, the aggregate remuneration of Chairman Koon Wing Yee and his wife, Executive Director Liu Yuk Chu, could have been said to have been reasonable, all things considered.

But, then, there was a change of heart.

The following is the amount of these 2 Executive Directors' remuneration from the 1994 Year to the 1999 Year, along with the Turnovers and Net Profits, during those Years:

| | Financial Year Ending March 31 | | | | |
|--|--------------------------------|---------|---------|-----------|-------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 |
| Turnover (\$HK billion) | 1.10 | 1.20 | 1.31 | 1.67 | 1.03 |
| Net Profit Attributable to Shareholders (\$HK'000) | 78,464 | 104,637 | 112,481 | (543,472) | (1,360,000) |
| Remuneration of Chairman Koon Wing Yee (\$HK million) | 3.50 | 4 | 4.50 | 40.50* | 10 |
| Remuneration of Executive Director Liu Yuk Chu (also known as Mrs Koon Yuk Chu) (\$HK million) | 2 | 2 | 2.50 | 2 | 3 |

* Waived \$HK18.80 million of the total remuneration, which was repaid to Easyknit International

All of the above payments may not have been too hard to swallow if the Chairman and his wife were worth their salt.

But they are, obviously, not worth very much. And, certainly, not the amount of money that they have been drawing from Easyknit International.

There are only 3 Executive Directors of this Company, the other Executive Director, being Mr Tsang Yiu Kai. TARGET assumes that this gentleman is getting \$HK1.50 million per annum – which may or may not be considered reasonable since it is unknown as to what is his function in the Company.

As can be seen from the above TARGET table, the aggregate reported Attributable Losses of Easyknit International, during the period of 24 months, ended March 31, 1998, was a whopping \$HK1.90 billion.

This aggregate Loss Attributable to Shareholders is equal to about 5.33 times the Net Profits Attributable to Shareholders for the Financial Years 1994 through to 1997.

Meanwhile, Chairman Koon Wing Yee and his wife, Madame Liu Yuk Chui, between them, cleared, during the 1999 Year, about \$HK13 million, or about \$HK1.08 million per month.

In the 1998 Year, these 2 Executive Directors were planning to clear about \$HK42.50 million between them.

But somebody must have yelled, *'foul!'*

Because, on Page 30 of the 1998 Annual Report, there is this statement with regard to a subsequent event. It states that, subsequent to the Balance Sheet Date (March 31, 1998), *'remunerations paid to a director for the current year amounting to HK\$18,800,000 was waived by the director and repaid to the Group.'* (all grammar errors are for the account of Easyknit International)

Adjusting for his generosity, therefore, in the 1998 Year, Chairman Koon Wing Yee only took out \$HK21.70 million for himself, while his wife took \$HK2.50 million.

Not bad going, one may be tempted to say, for a husband-and-wife team to clear about \$HK2.02 million a month – especially when one notes that the Company from which they were milking their remuneration was suffering the worst financial situation in its history.

As for the Non-Executive Directors, there are 2 in all, and they are, currently, receiving \$HK8,333 per month, per person.

The 2 Non-Executive Directors are Messrs Chan Chi Chung and Wong Sui Kwan. Mr Chan is an accountant while Mr Wong is a solicitor.

Up until the 1995 Financial Year, these 2 gentlemen were receiving only half of their current fees for their hard work in Easyknit International.

Then, clearly, there was a change of heart and it was determined that they should have an increase in their annual fees – a 100 percent increase, in fact.

The Fund-Raising Exercises

On January 25, 2000, Easyknit International announced that it was pitching a Rights Issue of not less than 306,496,053 Rights Shares of 10 cents each on the basis of one Rights Share for every existing share held at 23 cents per Rights Share.

The \$HK68 million, to be raised in this latest *'call to arms'*, is to be used, the Company announcement stated, to repay banks some money and to boost the Working Capital Account.

As at the 1999 Balance Sheet Date, the Company had outstanding indebtedness of about \$HK974 million.

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