EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The board of directors of Easyknit International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2006 together with comparative figures. These interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	NOTES	**Six months ended 30 September**	
		2006	2005
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	3	**257,628**	261,836
Cost of sales		**(209,199)**	(214,046)
Gross profit		**48,429**	47,790
Other income		**5,991**	3,630
Distribution costs		**(6,961)**	(6,182)
Administrative expenses		**(24,230)**	(23,684)
Gain arising on change in fair value of investment properties		**5,600**	157,030
Gain (loss) arising on change in fair value of investments		**789**	(151,070)
Impairment loss on trade and other receivables	5	**—**	(33,302)
Impairment loss on available-for-sale investments		**(14,147)**	—
Loss on disposal of available-for-sale investments		**(15,134)**	—
Loss on disposal of investments held for trading		**(615)**	—
Loss on disposal of investment properties		**—**	(1,136)
Share of results of associates		**(1,640)**	(2,496)
Finance costs	6	**(30)**	(3,115)
Loss before taxation	4	**(1,948)**	(12,535)
Taxation	7	**(163)**	(1,403)
Loss for the period attributable to equity holders of the Company		**(2,111)**	(13,938)
Loss per share	8	**(1.1) HK cents**	(10.2) HK cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2006

	NOTES	**30.9.2006**	**31.3.2006**
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**25,143**	24,190
Properties held for re-development		**155,675**	—
Investment properties		**595,300**	589,700
Intangible assets		**921**	921
Interests in associates		**62,043**	62,887
Available-for-sale investments		**101,411**	93,987
		940,493	771,685
Current assets			
Properties held for sale		**10,842**	14,426
Investments held for trading		**41,222**	3,600
Inventories		**9,371**	7,766
Trade and other receivables	9	**52,610**	72,226
Loans receivable		**11,512**	66,053
Bills receivable	10	**17,472**	17,220
Tax recoverable		**301**	301
Bank balances and cash		**138,116**	174,580
		281,446	356,172
Current liabilities			
Trade and other payables	11	**38,128**	41,754
Bills payable	10	**4,042**	4,514
Tax payable		**24,339**	24,364
Bank borrowings		**642**	3,819
		67,151	74,451
Net current assets		**214,295**	281,721
		1,154,788	1,053,406
Capital and reserves			
Share capital		**198,551**	132,367
Reserves		**933,596**	898,561
		1,132,147	1,030,928
Non-current liabilities			
Deferred taxation		**22,641**	22,478
		1,154,788	1,053,406

NOTES

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 ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The principal accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2006 except as disclosed below.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendments or interpretations will have no material impact on the results and the financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) - INT 8	Scope of HKFRS 2[2]
HK(IFRIC) - INT 9	Reassessment of embedded derivatives[3]
HK(IFRIC) - INT 10	Interim financial reporting and impairment[4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 May 2006.
3 Effective for annual periods beginning on or after 1 June 2006.
4 Effective for annual periods beginning on or after 1 November 2006.

3. SEGMENT INFORMATION

Business segments

The Group's primary format for reporting segment information is business segments. For management purposes, the Group is currently organised into three main operating divisions - garment sourcing and export, property investment and investment in securities.

For the six months ended 30 September 2006

	Garment sourcing and export	**Property investment**	**Investment in securities**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
External	**240,695**	**16,933**	**—**	**—**	**—**	**257,628**
Inter-segment	**—**	**1,655**	**—**	**—**	**(1,655)**	**—**
	240,695	**18,588**	**—**	**—**	**(1,655)**	**257,628**
Result						
Segment result	**9,530**	**18,607**	**(28,388)**	**1,489**	**(1,516)**	**(278)**
Share of results of associates						**(1,640)**
Finance costs						**(30)**
Loss before taxation						**(1,948)**
Taxation						**(163)**
Loss for the period						**(2,111)**

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

For the six months ended 30 September 2005

	Garment sourcing and export	Property investment	Investment in securities	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
External	243,568	18,268	—	—	—	261,836
Inter-segment	—	1,655	—	—	(1,655)	—
	243,568	19,923	—	—	(1,655)	261,836
Result						
Segment result	(24,671)	168,993	(151,070)	1,688	(1,864)	(6,924)
Share of results of associates						(2,496)
Finance costs						(3,115)
Loss before taxation						(12,535)
Taxation						(1,403)
Loss for the period						(13,938)

4. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Depreciation and amortisation on property, plant and equipment	**762**	639
and after crediting:		
Dividend income from listed investments	**719**	126

5. IMPAIRMENT LOSS ON TRADE AND OTHER RECEIVABLES

During the period ended 30 September 2005, an impairment loss on trade and other receivables of HK$33,302,000 was provided in respect of the deposits to a supplier paid by the Group as a result of the voluntary liquidation of such supplier. No impairment loss on trade and other receivables is noted during the period ended 30 September 2006.

6. FINANCE COSTS

	Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**30**	3,115

7. TAXATION

	Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**—**	711
Deferred tax charge	**163**	692
Taxation charge attributable to the Company and its subsidiaries	**163**	1,403

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 September 2005: 17.5%) of the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax has been made in the current period financial statements as the estimated assessable profit for the period is wholly absorbed by the tax loss brought forward.

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Loss for the purposes of loss per share attributable to equity holders of the Company	**(2,111)**	(13,938)

	Six months ended 30 September	
	2006	2005
		(Restated)
Number of shares		
Weighted average number of shares for the purposes of loss per share	**192,138,497**	136,788,408

The weighted average number of shares for both periods has been adjusted for the issue of rights share and the consolidation of shares subsequent to 30 September 2006.

No diluted loss per share for the period ended 30 September 2006 is presented as the exercise price of the Company's outstanding share options was higher than the average market price for the period.

No diluted loss per share has been presented for the period ended 30 September 2005 as the Company has no potential ordinary shares outstanding during the period.

9. TRADE AND OTHER RECEIVABLES

	30.9.2006	31.3.2006
	HK$'000	*HK$'000*
Trade receivables	**12,572**	24,299
Deposits to suppliers	**36,281**	42,585
Other receivables	**3,757**	5,342
	52,610	72,226

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	30.9.2006	31.3.2006
	HK$'000	*HK$'000*
0 - 60 days	**7,839**	22,818
61 - 90 days	**1,965**	1,003
Over 90 days	**2,768**	478
	12,572	24,299

10. BILLS RECEIVABLE/BILLS PAYABLE

The bills receivable and bills payable of the Group are aged within 30 days and 90 days respectively.

11. TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	30.9.2006	31.3.2006
	HK$'000	*HK$'000*
0 - 60 days	**20,597**	26,009
61 - 90 days	**18**	2
Over 90 days	**156**	152
	20,771	26,163

INTERIM DIVIDEND

The board of directors has resolved not to declare an interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

VOLUNTARY DELISTING FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

On 22 May 2006, the Company announced that the board of directors proposed to seek a voluntary delisting (the "Delisting") of the Company from the Official List of The Singapore Exchange Securities Trading Limited (the "SGX-ST") pursuant to Rule 1306 of the SGX-ST Listing Manual. A special resolution approving the Delisting was passed at the special general meeting of the Company held on 31 July 2006. The shares of the Company were removed from the Official List of the SGX-ST at the close of trading on 18 August 2006 and were delisted on the SGX-ST on 28 August 2006. After the Delisting, the shares of the Company continue to be listed and traded on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 September 2006, the Group recorded a turnover of approximately HK$257,628,000, representing a decrease of approximately 1.6% as compared to the same period last year (six months ended 30 September 2005: approximately HK$261,836,000). Gross profit slightly increased by approximately 1.3% to approximately HK$48,429,000 as compared to approximately HK$47,790,000 for the corresponding period last year.

Loss attributable to shareholders amounted to approximately HK$2,111,000, as compared to the loss of approximately HK$13,938,000 for the same period last year. Such remarkable reduction in loss resulted largely from the increase in other revenue of approximately HK$2,361,000, reduction in share of loss of associates and finance costs of approximately HK$856,000 and approximately HK$3,085,000 respectively, as well as the one-off loss arising on change in fair value of investments of approximately HK$151,070,000, impairment loss on trade and other receivables of approximately HK$33,302,000 and loss on disposal of investment properties of approximately HK$1,136,000 during the same period in 2005. This was partly offset by the loss on disposal of available-for-sale investments of approximately HK$15,134,000, impairment loss recognized on available-for-sale investments of approximately HK$14,147,000, and decrease in gain on fair value changes of investment properties of approximately HK$151,430,000. Loss per share were approximately 1.1 HK cents (six months ended 30 September 2005: loss per share of approximately 10.2 HK cents).

Cost of sales dropped by approximately 2.3% to approximately HK$209,199,000 from approximately HK$214,046,000 for the corresponding period last year, primarily due to stringent cost control measures and reduction in sales for the period under review. Total operating expenses went up by approximately 4.4% to approximately HK$31,191,000 (six months ended 30 September 2005: approximately HK$29,866,000).

Finance costs reduced significantly by approximately 99.0% to approximately HK$30,000 (six months ended 30 September 2005: approximately HK$3,115,000), principally due to substantial decrease in bank loans during the period under review.

Business Review

During the six months ended 30 September 2006, the Group was principally engaged in sourcing and export of cotton-based knitted garments for infants, children and women, and property investment.

Garment sourcing and export

During the period under review, garment sourcing and export continued to be the principal business of the Group and contributed approximately 93.4% (six months ended 30 September 2005: approximately 93.0%) to the Group's total turnover. Turnover from this segment diminished by approximately 1.2% to approximately HK$240,695,000 as compared to approximately HK$243,568,000 for the same period last year. This segment recorded a gain of approximately HK$9,530,000, a turnaround as compared to the loss of approximately HK$24,671,000 for the same period last year, largely due to the impairment loss on trade and other receivables of approximately HK$33,302,000 recorded in 2005 but no such impairment loss was recorded during the period under review. The Group continued to alter its product mix to cater for the changes in customer needs. The product mix of infant wear and ladies wear changed from 40:39 for the six months ended 30 September 2005 to 37:47 for the parallel period this year.

Property investment

During the period under review, the property investment segment contributed approximately HK$16,933,000 or 6.6% (six months ended 30 September 2005: approximately HK$18,268,000 or 7.0%) to the Group's total turnover. Profit of this segment dropped approximately 89.0% to approximately HK$18,607,000 (six months ended 30 September 2005: approximately HK$168,993,000), mainly due to the reduction in gain on fair value changes of investment properties of approximately HK$151,430,000. Rental income from investment properties, all of which are located in Hong Kong, increased to HK$12,641,000 (six months ended 30 September 2005: approximately HK$12,008,000). The average rental income of the Group increased nearly 5.3% during the period under review. As at 30 September 2006, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 96.0%. The building management fee income was approximately HK$139,000 (six months ended 30 September 2005: approximately HK$130,000).

The sale of residential units of Fa Yuen Plaza in Mongkok generated approximately HK$4,153,000 cash inflow to the Group during the period under review (six months ended 30 September 2005: approximately HK$6,130,000). As at 30 September 2006, approximately 90.6% of the available units were sold with the average selling price per square foot gross floor area increased from approximately HK$3,900 for the six months ended 30 September 2005 to approximately HK$3,940 for the same period this year.

During the period under review, the Group acquired the entire issued share capital of a company called Happy Light Investments Limited ("Happy Light"). Through the acquisition of Happy Light, the Group acquired 18 out of 20 units (the "Properties") in a building situated at Nos. 1 and 1A Victory Avenue and Nos. 3 and 3A Victory Avenue in Kowloon, Hong Kong (the "Building") for an aggregate consideration of approximately HK$139,710,000. The Building is located at the prime commercial and residential location near Ho Man Tin and Mongkok, Kowloon, and its redevelopment potential looks promising. The Group intends to acquire the remaining 2 units and estimates that it will incur approximately HK$170,000,000 in total for the acquisition of the whole Building for redevelopment. The acquisition of the Properties together with the remaining 2 units constitutes a major transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). It was approved by the shareholders of the Company at a special general meeting held on 19 July 2006. Details of this major transaction are set out in the Company's circular dated 3 July 2006.

As at 30 September 2006, the Group's entire property portfolio stood over HK$761,817,000 (31 March 2006: approximately HK$604,126,000).

Geographical analysis of turnover

Geographically, the United States of America (the "US") remained to be the Group's major export market, from which approximately 86.4% of the Group's total turnover was generated (six months ended 30 September 2005: approximately 87.2%).

The Hong Kong, European and Mexican markets accounted for approximately 6.6%, 5.8% and 1.2% of the Group's total turnover respectively.

Prospects

Garment sourcing and export

Supported by the well-established and diverse customer base, the directors of the Company anticipate that the garment business of the Group will remain stable in the second half of the financial year ended 31 March 2007.

With industrial adjustment in structure and management in recent years, the development of textile industry in the PRC has made a significant headway. This has provided an excellent opportunity for the Group to participate in the phenomenal growth of the field. In efforts to broaden sales network and enlarge income base, extending the Group's geographic reach to other potential markets will be an important long-term strategy of the Group. Efforts will also be stepped up in product range expansion in order to meet boarder array of customers' needs.

Property investment

Property investment will become a key growth drive of the Group in the long run. An improving economy, rising income and increasing consumer confidence are expected to lead to increasing tenant demand for commercial and residential space, as well as rental growth in retail sector. Along with the expanded Individual Visit Scheme, growing popularity of major tourist attractions such as Ngong Ping 360, Ocean Park, Hong Kong Disneyland and Hong Kong Wetland Park will help boost tourism and retail trade. Visitor arrivals continue its growing momentum and retail sales rose an average of 6.4% in the first five months of 2006. Assisted by the buoyant outlook of the tourism and retail industry, rental income is thus expected to increase, in particular in prime areas such as Causeway Bay, Tsimshatsui and Mongkok where the Group's investment properties located.

Apart from the local property investment, the Group will also proactively seek for property investment opportunities outside Hong Kong, in particular in the PRC and Macau, when suitable opportunities arise. In view of the strong demand in the PRC property market as well as the lucrative gaming and tourism sectors in Macau, the two places have become a hot spot for property investment. The Group is optimistic towards the prospects of property development in these locations where favorable investment conditions exist.

Liquidity and Financial Resources

During the six months ended 30 September 2006, the Group financed its operations mainly by internally generated resources. The Group's total bank borrowings declined by approximately 83.2% to approximately HK$642,000 at the period end date (31 March 2006: approximately HK$3,819,000), which were all short-term borrowings. All the loans are secured and denominated in US dollars with prevailing market interest rates. The Group's borrowings are mostly event driven, with little seasonality. As at 30 September 2006, the shareholders' fund of the Group amounted to approximately HK$1,132,147,000 (31 March 2006: approximately HK$1,030,928,000). The Group's gearing ratio, which was calculated on the basis of the total borrowings to the shareholders' fund, decreased from approximately 0.0037 as at 31 March 2006 to approximately 0.0006 as at 30 September 2006.

The Group continued to sustain a good liquidity position. As at 30 September 2006, the Group had net current assets of approximately HK$214,295,000 (31 March 2006: approximately HK$281,721,000) and cash and cash equivalents of approximately HK$138,116,000 (31 March 2006: approximately HK$174,580,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 30 September 2006, the current ratio of the Group was approximately 4.19 (31 March 2006: approximately 4.78), which was calculated on the basis of current assets of approximately HK$281,446,000 (31 March 2006: approximately HK$356,172,000) to current liabilities of approximately HK$67,151,000 (31 March 2006: approximately HK$74,451,000). 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.

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

On 8 March 2006, the Company announced that it proposed a rights issue of not less than 661,836,693 rights shares of HK$0.10 each at a subscription price of HK$0.12 per rights share on the basis of one rights share for every two shares held (the "First Rights Issue"). Upon completion of the First Rights Issue on 24 April 2006, the issued share capital of the Company was increased from HK$132,367,338.60 to HK$198,551,007.90 comprising 1,985,510,079 shares of HK$0.10 each. Details of the First Rights Issue are set out in the Company's prospectus dated 3 April 2006.

On 30 August 2006, the Company announced that it proposed, amongst others, (i) the consolidation of every 10 issued and unissued shares of HK$0.10 each into one share of HK$1.00 each (the "Consolidated Share") (the "Share Consolidation"); (ii) the reduction of par value of each Consolidated Share in issue from HK$1.00 each to HK$0.01 each (the "Adjusted Share") by cancelling HK$0.99 paid up capital on each Consolidated Share in issue, the subdivision of each unissued Consolidated Share of HK$1.00 each into 100 new unissued Adjusted Shares of HK$0.01 each and the transfer of the credit arising from the cancellation of paid up capital of HK$196,565,496.93 to a capital reserve account of the Company (the "Capital Reduction"); and (iii) a rights issue of not less than 595,653,021 rights shares of HK$0.01 each at a subscription price of HK$0.35 per rights share on the basis of three rights shares for every Adjusted Share held (the "Second Rights Issue"). Details of the Share Consolidation, the Capital Reduction and the Second Rights Issue are set out in the Company's circular dated 22 September 2006.

The Group has no debt securities or other capital instruments as at 30 September 2006 and up to the date of this announcement.

Material Acquisitions and Disposals

Apart from the acquisition of Happy Light (as defined in "Business Review" above) in July 2006 for a consideration of HK$53,680,000, the Group had no material acquisitions or disposal of subsidiaries or associates during the six months ended 30 September 2006.

Charges on Group Assets

As at 30 September 2006, certain investment properties of the Group with carrying amount of approximately HK$131,000,000 (31 March 2006: certain leasehold properties and investment properties of the Group with carrying amounts of approximately HK$9,116,000 and approximately HK$588,000,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group.

Capital Expenditure and Capital Commitments

During the six months ended 30 September 2006, the Group spent approximately HK$1,715,000 (six months ended 30 September 2005: approximately HK$599,000) on acquisition of property, plant and equipment.

As at 31 March 2006 and 30 September 2006, the Group had no significant capital commitments.

Contingent Liabilities

As at 30 September 2006, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK$4,684,000 (31 March 2006: approximately HK$8,333,000) 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 2006.

Significant Investment

As at 30 September 2006, the Group had significant investments in a portfolio of equity securities listed in Hong Kong, which comprised available-for-sale investments of approximately HK$101,411,000 (31 March 2006: approximately HK$93,987,000) and investments held for trading of approximately HK$41,222,000 (31 March 2006: approximately HK$3,600,000). 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 arising on change in fair value of investments of approximately HK$789,000, a loss on disposal of investments held for trading of approximately HK$615,000, a loss on disposal of available-for-sale investments of approximately HK$15,134,000, and an impairment loss on available-for-sale investments of approximately HK$14,147,000 (six months ended 30 September 2005: loss arising on change in fair value of investments of approximately HK$151,070,000).

Save as disclosed above and the proposed acquisition of the whole Building (as defined in "Business Review" above) for redevelopment, the Group did not have any significant investment held or any significant investment plans as at 30 September 2006.

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.

Post Balance Sheet Events

Resolutions approving the Share Consolidation, the Capital Reduction and the Second Rights Issue (as defined in "Capital Structure" above) were passed at the special general meeting of the Company held on 16 October 2006. Upon the Share Consolidation and the Capital Reduction becoming effective on 17 October 2006, the authorised share capital of the Company was HK$1,000,000,000 divided into 100,000,000,000 shares of HK$0.01 each, of which 198,551,007 shares of HK$0.01 each were in issue. As a result of the Second Rights Issue, the issued share capital of the Company has been increased from HK$1,985,510.07 to HK$7,942,040.28 comprising 794,204,028 shares of HK$0.01 each with effect from 3 November 2006.

On 11 October 2006, the Company announced that on 9 October 2006, Mark Profit Development Limited, a wholly-owned subsidiary of the Company, disposed of 166,430,500 shares (the “Sale Shares”) in Capital Estate Limited, the shares of which are listed on the Stock Exchange, in the market at a total consideration of HK$18,640,000 (the “Disposal”). The Sale Shares represented approximately 9.83% of the total issued shares of Capital Estate Limited as at 9 October 2006. The Group will record a loss of approximately HK$14,713,000 from the Disposal for the financial year ended 31 March 2007, subject to the annual audit. The Disposal constitutes a discloseable transaction of the Company under the Listing Rules and its details are set out in the Company’s circular dated 27 October 2006.

Employment and Remuneration Policy

As at 30 September 2006, the number of employees of the Group in Hong Kong and the US was about 60 and 16 respectively. Staff costs (including directors’ emoluments) amounted to approximately HK$13,054,000 for the period under review (six months ended 30 September 2005: approximately HK$12,914,000). 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.

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 2006.

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. Wong Sui Wah, Michael (Committee Chairman), Mr. Tsui Chun Kong and Mr. Jong Koon Sang. The Audit Committee has reviewed with the management and the Company’s auditors 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 2006.

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. Tsui Chun Kong (Committee Chairman), Mr. Wong Sui Wah, Michael and Mr. Jong Koon Sang.

EXECUTIVE COMMITTEE

The Company has established an Executive Committee with written terms of reference. The Executive Committee currently comprises two executive directors, namely Mr. Tse Wing Chiu, Ricky (Committee Chairman) and Ms. Lui Yuk Chu.

CORPORATE GOVERNANCE

During the six months ended 30 September 2006, 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. Tse Wing Chiu, Ricky 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.

Code provisions B.1.3(a) and (b)

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the Code provision B.1.3 except that the Remuneration Committee should make recommendations to the board on the Company's policy and structure for all remuneration of "directors" only (as opposed to "directors and senior management" under the Code provision B.1.3(a)); and should "review" (as opposed to "determine" under the Code provision B.1.3(b)) and make recommendations to the board on the remuneration packages of "executive directors" only (as opposed to "executive directors and senior management" under the Code provision B.1.3(b)).

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 2006.

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 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 2006.

By order of the Board
Easyknit International Holdings Limited
Tse Wing Chiu, Ricky
President and Chief Executive Officer

Hong Kong, 11 December 2006

As at the date of this announcement, the board comprises Mr. Tse Wing Chiu, Ricky and Ms. Lui Yuk Chu as executive directors and Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong and Mr. Jong Koon Sang as independent non-executive directors.

* *for identification only*