



永義實業集團有限公司
Easyknit Enterprises Holdings Limited
(incorporated in Bermuda with limited liability)

PRESS RELEASE

Easyknit Announces
Interim Results for the Six Months Ended 30 September 2005

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Turnover Increased 2.4% Reaching HK\$261,836,000
Endeavour To Expand Its Business Into Other Asian Markets

(Hong Kong, 18 December 2005) — **Easyknit International Holdings Limited** (“Easyknit”/ the “Group”) (Stock Code: 1218) today announces interim results for the six months ended 30 September 2005. During the period under review, the Group recorded a turnover of approximately HK\$261,836,000, representing an increase of approximately 2.4% as compared to approximately HK\$255,711,000 for the same period last year. Gross profit was approximately HK\$47,790,000, representing a decrease of approximately 21.2% as compared to approximately HK\$60,679,000 for the same period last year, primarily because of shrinking profit margins amid increasingly fierce competition in the garment sourcing and export industry.

The Group recorded a loss from operations of approximately HK\$6,924,000 (six months ended 30 September 2004: a profit from operations of approximately HK\$49,122,000) and a net loss attributable to shareholders of approximately HK\$13,938,000 (six months ended 30 September 2004: a net profit of approximately HK\$75,826,000), largely due to the loss on fair value changes of investments at fair value through profit or loss of approximately HK\$151,070,000, impairment loss on trade and other receivables of approximately HK\$33,302,000, loss on disposal of investment properties of approximately HK\$1,136,000, share of the loss of associates of approximately HK\$2,496,000 and substantial increase in finance cost for the period under review. This was partly offset by the gain on fair value changes of investment properties of approximately HK\$157,030,000. Loss per share was approximately 1.05 HK cents (six months ended 30 September 2004: earnings per share of approximately 6.74 HK cents).

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2005 (six months ended 30 September 2004: Nil).

Mr. Koon Wing Yee, the President and Chief Executive Officer of the Group said, “The increase in turnover was mainly attributable to the increase of sales volume of garments during the period. Looking forward, we would continue to extend our garment sales network to other parts of Asia and look for potential property investment opportunities so as to generate more profit for the Group.”

During the six months ended 30 September 2005, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment. Garment sourcing and export remained the major business of the Group and contributed approximately 93.0% to the Group’s total turnover, an approximately 10.6%



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increase over the same period last year of approximately 82.4%.

Turnover from this segment augmented by approximately 15.5% to approximately HK\$243,568,000 as compared to approximately HK\$210,803,000 for the same period in 2004. However, this segment suffered a loss of approximately HK\$24,671,000 (six months ended 30 September 2004: a profit of approximately HK\$6,277,000), largely due to the impairment loss on trade and other receivables of approximately HK\$33,302,000. 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 48:44 for the six months ended 30 September 2004 to 40:39 for the parallel period this year. For export, the United States of America (the “US”) continued to be the Group’s major export market.

During the period under review, the property investment segment contributed approximately HK\$18,268,000 or 7.0% (six months ended 30 September 2004: approximately HK\$37,932,000 or 14.8%) to the Group’s total turnover. Profit of this segment surged approximately 11.6 times to approximately HK\$168,993,000 (six months ended 30 September 2004: approximately HK\$13,408,000), principally due to gain on fair value changes of investment properties of approximately HK\$157,030,000 during the period under review. Despite the disposal of two properties in Causeway Bay in August 2005, the Group’s investment properties, all of which are located in Hong Kong, continued to provide a stable flow of income to the Group with a turnover of approximately HK\$12,008,000 (six months ended 30 September 2004: approximately HK\$12,623,000). The building management fee income was approximately HK\$130,000 (six months ended 30 September 2004: Nil). The sale of residential units of Fa Yuen Plaza in Mongkok generated approximately HK\$6,130,000 cash inflow to the Group during the period under review (six months ended 30 September 2004: approximately HK\$25,309,000).

As at 30 September 2005, the Group’s entire portfolio stood over HK\$573,248,000 (31 March 2005: approximately HK\$641,594,000).

Looking forward, although the re-imposition of the textile quotas by the US and the European Union still affects the Group’s garment export business, the Group anticipates that its garment business will remain stable in the second half of the financial year ended 31 March 2006 based on the existing orders on hand. Efforts are also being made to promote the Group’s garment brand name of “Mary Mac” targeting the fast growing PRC market through its regional office in New York. The Group will endeavour to extend its reach into other Asian markets so as to expand its sales network and to reduce our reliance on the US market.

In the aspect of property investment, the local property market is expected to be benefited from the upturn of Hong Kong’s economy. With the opening of Disneyland and the extension of the “Individual Visit Scheme” for Mainland visitors, the tourism in Hong Kong will also grow steadily. These favourable factors are likely to lead to rent increases, especially for retail shops located in prime areas such as Causeway Bay, Tsimshatsui and Mongkok, and bring in considerable revenue to the Group. The Group will extend its investment property portfolio when opportunities arise, bringing the best return to its shareholders.



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About Easyknit International Holdings Limited (Stock Code: 1218)

Easyknit International Holdings Limited is principally engaged in the sourcing and export of cotton-based knitted garments for infants, children and women, and property investment.

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