



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 RESULTS FOR THE YEAR ENDED 31 MARCH 2004

The board of directors of Easyknit International Holdings Limited (the “Company”) is pleased to present the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2004 together with comparative figures for the previous financial year.

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover		706,044	687,652
Cost of sales		<u>(567,958)</u>	<u>(540,668)</u>
Gross profit		138,086	146,984
Other operating income		4,392	3,071
Distribution costs		(33,330)	(37,797)
Administrative expenses		(74,151)	(61,025)
Reversal of deficit arising on revaluation of investment properties		42,500	15,815
Impairment loss recognised in respect of property, plant and equipment		(9,911)	—
Loss on disposal of investment properties		(1,644)	—
Impairment loss of goodwill on acquisition of a subsidiary/subsidiaries		(104)	(7,194)
Impairment loss of goodwill on acquisition of additional interests in subsidiaries		<u>(3,270)</u>	<u>(364)</u>
Profit from operations	3	62,568	59,490
Unrealised loss on investment in 21CN CyberNet Corporation Limited		—	(11,000)
Loss on disposal of investment in 21CN CyberNet Corporation Limited		—	(50,456)
Gain on disposal of a subsidiary		63,950	—
Gain on deemed disposal of discontinued operations	4	19,317	—
Gain on partial disposal of a subsidiary		886	—
Income on release of guarantee		—	5,000
Finance costs	5	(7,855)	(10,128)

	<i>NOTES</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(Restated)</i>
Share of results of associates		(3,919)	—
Share of results of jointly controlled entities		<u>(72)</u>	<u>—</u>
Profit (loss) before taxation		134,875	(7,094)
Taxation	6	<u>(2,459)</u>	<u>(21,044)</u>
Profit (loss) before minority interests		132,416	(28,138)
Minority interests		<u>8,414</u>	<u>3,267</u>
Net profit (loss) for the year		<u>140,830</u>	<u>(24,871)</u>
Proposed dividend		<u>6,618</u>	<u>—</u>
Earnings (loss) per share	7		
Basic		<u>HK\$0.160</u>	<u>HK\$(0.041)</u>

Notes:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the Hong Kong Financial Reporting Standards (“HKFRS”) - Statement of Standard Accounting Practice (“SSAP”) 12 (Revised) “Income taxes” issued by the Hong Kong Society of Accountants (“HKSA”). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for year 2003 have been restated accordingly. As a result of this change in policy, the balance of accumulated losses at 1 April 2002 has been increased by HK\$312,000, which is the cumulative effect of the change in policy on the results for periods prior to 1 April 2002. The net profit for the year ended 31 March 2004 has been decreased by HK\$285,000 (2003: a decrease of net loss of HK\$87,000).

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four main operating divisions - garment sourcing and export, property investment, investment in securities and loan financing. These divisions are the bases on which the Group reports its primary segment information. The division of telecommunications services and related investments was discontinued in November 2003 and the Group is in the process of discontinuing its bleaching and dyeing business at 31 March 2004.

Segment information about these businesses is presented below:

Year 2004

	Continuing operations				Discontinued/ discontinuing operations			Consolidated
	Garment sourcing and export <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Tele- communications services and related investments <i>HK\$'000</i>	Bleaching and dyeing <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	
TURNOVER								
External	590,885	57,498	—	—	1,982	55,679	—	706,044
Inter-segment	—	3,000	—	—	—	68	(3,068)	—
Total	<u>590,885</u>	<u>60,498</u>	<u>—</u>	<u>—</u>	<u>1,982</u>	<u>55,747</u>	<u>(3,068)</u>	<u>706,044</u>
RESULT								
Segment result and profit from operations	<u>36,169</u>	<u>59,130</u>	<u>(2,333)</u>	<u>4,701</u>	<u>(26,274)</u>	<u>(363)</u>	<u>(8,462)</u>	62,568
Gain on disposal of a subsidiary			63,950					63,950
Gain on deemed disposal of discontinued operations					19,317			19,317
Gain on partial disposal of a subsidiary					886			886
Finance costs								(7,855)
Share of results of associates					(3,919)			(3,919)
Share of results of jointly controlled entities					(72)			<u>(72)</u>
Profit before taxation								134,875
Taxation								<u>(2,459)</u>
Profit before minority interests								132,416
Minority interests								<u>8,414</u>
Net profit for the year								<u>140,830</u>

Notes:

- (a) Inter-segment transactions are charged at prevailing market prices.
- (b) Turnover from garment sourcing and export includes income from temporary transfer of permanent textile quota entitlements of HK\$34,421,000.

Year 2003

	Continuing operations				Discontinued/ discontinuing operations			Consolidated HK\$'000 (Restated)
	Garment sourcing and export HK\$'000	Property investment HK\$'000	Investment in securities HK\$'000	Loan financing HK\$'000	Tele- communications services and related investments HK\$'000	Bleaching and dyeing HK\$'000	Eliminations HK\$'000	
TURNOVER								
External	636,143	19,056	—	—	2,664	29,789	—	687,652
Inter-segment	—	3,144	—	—	—	—	(3,144)	—
Total	<u>636,143</u>	<u>22,200</u>	<u>—</u>	<u>—</u>	<u>2,664</u>	<u>29,789</u>	<u>(3,144)</u>	<u>687,652</u>
RESULT								
Segment result and profit from operations	<u>50,522</u>	<u>27,142</u>	<u>(705)</u>	<u>1,589</u>	<u>(17,898)</u>	<u>(485)</u>	<u>(675)</u>	59,490
Unrealised loss on investment in 21CN			(11,000)					(11,000)
Loss on disposal of investment in 21CN			(50,456)					(50,456)
Income on release of guarantee			5,000					5,000
Finance costs								<u>(10,128)</u>
Loss before taxation								(7,094)
Taxation								<u>(21,044)</u>
Loss before minority interests								(28,138)
Minority interests								<u>3,267</u>
Net loss for the year								<u>(24,871)</u>

Notes:

- (a) Inter-segment transactions are charged at prevailing market prices.
- (b) Turnover from garment sourcing and export includes income from temporary transfer of permanent textile quota entitlements of HK\$50,286,000.

Geographical segments

An analysis of the Group's turnover by geographical market is as follows:

	Turnover	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong	59,480	21,720
The People's Republic of China, excluding Hong Kong (the "PRC")	55,679	29,789
United States of America ("USA")	525,916	576,453
Canada	14,907	23,327
Mexico	13,575	14,951
Europe	36,487	21,064
Others	—	348
	<u>706,044</u>	<u>687,652</u>

3. PROFIT FROM OPERATIONS

	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration	7,208	7,018
Other staff costs, including retirement benefits costs	<u>32,094</u>	<u>21,771</u>
Total staff costs	<u>39,302</u>	<u>28,789</u>
Allowance for doubtful debts	1,094	6,353
Auditors' remuneration:		
- current year	876	635
- underprovision in prior years	56	109
Cost of inventories consumed	523,254	525,477
Cost of properties sold	32,814	—
Allowance for properties held for sales (<i>note a</i>)	—	6,080
Depreciation and amortisation on:		
- owned assets	7,662	4,131
- assets held under finance leases	20	20
- permanent textile quota entitlements (<i>note b</i>)	1,305	1,551
Loss on disposal of property, plant and equipment	149	11
Loss on waiver of amount due from a minority shareholder of a subsidiary	117	—
Loss on waiver of loan to a jointly controlled entity	7	—
Purchased temporary textile quota entitlements utilised	7,679	3,276
Loss on disposal of other investments	2,328	—
and after crediting:		
Gain on disposal of other investments	—	84
Gain on disposal of permanent textile quota entitlements	1	—
Interest income	<u>3,172</u>	<u>2,216</u>

Notes:

(a) The amount is included in cost of sales.

(b) The amount is included in distribution costs.

4. GAIN ON DEEMED DISPOSAL OF DISCONTINUED OPERATIONS

Asia Alliance Holdings Limited (“Asia Alliance”) (formerly known as i100 Limited) is incorporated in Bermuda with limited liability whose shares are listed on The Stock Exchange of Hong Kong Limited. It was a subsidiary of the Company. In November 2003 and December 2003, Asia Alliance had two placements of new shares of which the Company was not a subscriber. The Group’s equity interest in Asia Alliance was diluted from approximately 51.73% immediately before Asia Alliance’s first placement of shares to approximately 43.11% immediately after that and further to approximately 35.93% immediately after Asia Alliance’s second placement of shares. Asia Alliance ceased to be a subsidiary of the Company and became an associate. The Group’s business relating to telecommunications services and related investments was since discontinued.

The gain on the deemed disposal amounted to approximately HK\$19,317,000, which was credited to the consolidated income statement.

5. FINANCE COSTS

	2004 <i>HK\$’000</i>	2003 <i>HK\$’000</i>
Interest on:		
- bank borrowings wholly repayable within five years	7,496	10,190
- bank borrowings not wholly repayable within five years	—	184
- other borrowings wholly repayable within five years	353	30
- obligations under finance leases	<u>6</u>	<u>4</u>
Total borrowing costs	7,855	10,408
Less: Amount capitalised in properties under development	<u>—</u>	<u>(280)</u>
	<u>7,855</u>	<u>10,128</u>

Borrowing costs capitalised in year 2003 arose on specific borrowing at an average interest rate of 3.6% per annum.

6. TAXATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The charge (credit) comprises:		
Current tax - Hong Kong Profits Tax:		
Current year	2,339	5,938
(Over)underprovision in prior years	<u>(165)</u>	<u>15,193</u>
	<u>2,174</u>	<u>21,131</u>
Deferred taxation:		
Current year	264	(87)
Attributable to a change in tax rate	<u>21</u>	<u>—</u>
	<u>285</u>	<u>(87)</u>
Tax charge attributable to the Company and its subsidiaries	<u>2,459</u>	<u>21,044</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profit for the year. The effect of the increase in the Hong Kong Profits Tax rate has been reflected in the calculation of the current and deferred tax balances at 31 March 2004.

7. EARNINGS (LOSS) PER SHARE

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(Restated)</i>
Earnings (loss) for the purposes of basic earnings (loss) per share	<u>140,830</u>	<u>(24,871)</u>
	2004	2003
Number of shares		
Number of shares/weighted average number of shares for the purposes of basic earnings (loss) per share	<u>882,448,924</u>	<u>603,578,288</u>

No diluted earnings per share for year 2004 has been presented as the exercise price of the Company's outstanding share options was higher than the average market price for the year and the exercise prices of the outstanding share options of Asia Alliance were also higher than its average market price.

No reconciliation of 2003 basic loss per share was disclosed as the adjustment to 2003 basic loss per share arising from the adoption of SSAP 12 (Revised) is insignificant.

The calculation of diluted loss per share for year 2003 was not disclosed as the exercise of the Company's outstanding share options would reduce the loss per share for that year and the exercise prices of the outstanding share options of Asia Alliance were higher than its average market price.

PROPOSED DIVIDEND

No interim dividend was paid during the year ended 31 March 2004.

The directors recommend the payment of a final dividend of 0.5 HK cent per share, which in aggregate amounts to approximately HK\$6,618,000, in respect of the year ended 31 March 2004 to the shareholders whose names appear on the register of members of the Company on 23 August 2004.

The directors' recommendation as to the payment of a final dividend will be subject to the due fulfillment of the following conditions: (a) the passing of a special resolution at a special general meeting of the Company to be held on 23 August 2004 immediately prior to the forthcoming annual general meeting approving the reduction of the entire amounts standing to the credit of the share premium account and the capital reserve account of the Company (the "Proposed Reductions"), the application of part of the credits arising from the Proposed Reductions in the sum of HK\$1,785,508,000 to offset the accumulated losses of the Company as at 31 March 2004 in full and the transfer of the remaining balance of HK\$227,555,000 to the contributed surplus account of the Company; and (b) the passing of an ordinary resolution approving the declaration of a final dividend for the year ended 31 March 2004 at the forthcoming annual general meeting in accordance with the Company's Bye-laws. Subject to the fulfillment of the above conditions it is intended that dividend warrants will be despatched to shareholders on or before 30 September 2004.

The amount of the proposed final dividend is calculated on the basis of the proposed dividend rate and the 1,323,673,386 ordinary shares in issue at the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 August 2004 to Monday, 23 August 2004 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 17 August 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2004, turnover of the Group was HK\$706,044,000, representing an increase of approximately 2.7% compared to HK\$687,652,000 of the previous year. Profit from operations amounted to HK\$62,568,000, recording a rise of about 5.2% compared to HK\$59,490,000 of the previous year. Earnings per share was HK\$0.160 (2003: loss per share HK\$0.041).

During the year under review, the Group recorded a gain on disposal of a subsidiary of HK\$63,950,000 arising from the disposal of the Group's investments in the shares (the "Sale Shares") of CITIC 21CN Company Limited ("CITIC 21CN") by way of selling the entire issued share capital of Touch Profits Limited ("Touch Profits"), a then wholly-owned subsidiary of the Company and the registered owner of all the Sale Shares.

BUSINESS REVIEW

During the year ended 31 March 2004, the Group was principally engaged in sourcing and export of cotton-based knitted garments for women, children and infants, property investments, and bleaching and dyeing. During the year under review, Hong Kong economy experienced a progressive upturn brought by the implementation of "Closer Economic Partnership Agreement" (CEPA) even though the economy was hit hard by the outbreak of SARS in the second quarter of last year. Benefited from the blooming economy, the Group achieved a satisfactory business performance with a recorded net profit of HK\$140,830,000 during the year under review.

Garment-related business

During the year under review, the Group continued its primary operation in garment sourcing and export. Business from this segment contributed to 83.7% of the total turnover and amounted to HK\$590,885,000, representing a decrease of approximately 7.1% as compared to HK\$636,143,000 of the previous year. Differentiating geographically, United States of America (the "US") continued to contribute the major portion of the Group's garment operations. Turnover of garment exported to the US was HK\$525,916,000, down by approximately 8.8% compared to the previous year and represented around 74.5% of the Group's total turnover.

The Group had well established production facilities and business operations in Hong Kong, the People's Republic of China (the "PRC") and the US respectively. The turnover contributed by the dyeing and bleaching factory in Dongguan, the PRC amounted to HK\$55,679,000 during the year, equivalent to approximately 7.9% of the Group's total turnover.

Property investment

With the better performance of the overall economy, activity in the sales and rental market for both residential and commercial property has showed a strong pick-up since the third quarter of 2003 and thereby benefiting the Group's property investment business. According to the First Quarter Economic Report of 2004 prepared by the Hong Kong Government, trading activities in both the primary and secondary markets increased remarkably. In May 2003, the Group launched the sales of its developed commercial-residential property, Fa Yuen Plaza, located at 19 Fa Yuen Street, Mongkok. During the year under review, all commercial units were leased out and up to the date of this announcement, about 70% of the residential units were sold out. The turnover contributed by the property investment business was HK\$57,498,000, representing an increase of 201.7% compared to the previous year.

PROSPECTS

Garment-related business

In view of the lifting of the textile export quota system in 2005, it is expected that the textile and garment industry will bloom and flourish. The Group will dedicate its resources to the development of its garment-related business to capture higher profit margin and increase its contribution to the Group's revenue.

In order to facilitate the US garment operations, the Group is committed to develop high profitable business and build up its own brand name "Mary Mac" in the US Market by fully utilizing the regional headquarter in New York. The Group believes that stronger US and overseas customer coordination and network would prepare it well for the ample future opportunities.

Property investment

With the recent rise in the US economy, introduction of the CEPA and further relaxation of restrictions of Mainlanders entering Hong Kong, barring any unforeseeable terrorism, the directors are optimistic about the property market and expect a modest rise in properties' value and rental, especially for properties in prime retail areas. It is believed that the property investment business and the sale of residential units of Fa Yuen Plaza will continue to bring in considerable revenue to the Group.

Overall, the PRC's accession to the World Trade Organization and its successful bid in hosting Olympic Games 2008 would add to the rapid trade expansion, thereby directly benefiting the Group's business. The Group will continue to explore potential investment projects or businesses with a view to diversifying and expanding its sources of income.

SIGNIFICANT CORPORATE EVENTS

Subsequent to the Company's acquisition of about 55.27% equity interest of Asia Alliance Holdings Limited (formerly known as i100 Limited) ("Asia Alliance") through its wholly-owned subsidiary, Landmark Profits Limited on 28 January 2003, a mandatory general offer was made for the shares that the Company did not own. The general offer resulted in the Company holding approximately 55.30% equity interest of Asia Alliance as at 14 April 2003. Disposals of Asia Alliance's shares in June 2003 brought the Group's interest in Asia Alliance down to approximately 51.73% as at 30 June 2003. On 25 September 2003, Asia Alliance issued 13,773,412 rights shares at a price of HK\$1.00 per rights share and the Group through Landmark Profits Limited took up 7,125,518 rights shares. As a result of the placing of 8,264,047 and 9,916,856 new shares of Asia Alliance on 17 November 2003 and 22 December 2003 respectively, the Company's interest in Asia Alliance has been diluted to about 35.93% of the then issued share capital of Asia Alliance and Asia Alliance has become an associated company of the Company.

On 15 January 2004, the Group entered into the agreement with Fairworld Investments Limited (as purchaser) and Mr. Chen Tien Tui (as warrantor), both are independent third parties, to dispose of 100,000,000 shares of CITIC 21 CN which representing approximately 3.14% of the issued share capital of CITIC 21 CN at the date of the agreement for an aggregate consideration of HK\$84,000,000. The gain on the disposal of the Group's investment in the shares of CITIC 21 CN through the disposal of Touch Profits amounted to HK\$63,950,000.

On 24 March 2004, the Group through Landmark Profits Limited took up 106,882,770 rights shares at a price of HK\$0.25 per rights share.

On 10 May 2004, the Company entered into an agreement (as supplemental by a supplemental letter dated 15 June 2004) (the "Agreement") with each of Mr. Louie Tsz Chung and Ms. Koon Po Fun, pursuant to which, amongst other things, the Group has agreed to purchase garments, apparel, clothing and textiles from the companies controlled by Mr. Louie Tsz Chung/companies controlled by Ms. Koon Po Fun respectively for period of three years commencing from 1 April 2004 subject to respective caps. The respective transactions (the "Ongoing Connected Transactions") contemplated under the Agreement with each of Mr. Louie Tsz Chung and Ms. Koon Po Fun constitute non-exempt continuing connected transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and are subject to reporting and independent shareholders' approval at the special general meeting of the Company to be held on 28 July 2004 ("SGM"). Resolutions to approve the reduction of the authorised share capital of the Company from HK\$3,000,000,000 to HK\$1,000,000,000 by the diminution of 20,000,000,000 authorised but unissued shares of the Company and the adoption of new bye-laws of the Company will also be proposed at the SGM. Details of the Ongoing Connected Transactions, the proposed reduction in authorised share capital and adoption of new bye-laws of the Company are set out in the circular of the Company dated 29 June 2004.

On 17 May 2004, the disposal of the entire issued share capital of Po Cheong International Enterprises Limited (“Po Cheong”) by the Company’s wholly-owned subsidiary, Easyknit International Trading Company Limited, to Best Ability Limited, a wholly-owned subsidiary of Asia Alliance at a consideration of HK\$65,000,000 (subject to adjustment) was completed. The Group believes proceeds from the transaction will help reduce the Group’s bank borrowings and strengthen its financial position for the development of the Group’s other business segments. As the Group’s bleaching and dyeing business was conducted only through Po Cheong and its subsidiary and the Group is no longer engaged in that business after the disposal (except through its interest in Asia Alliance).

On 24 June 2004, the Company raised approximately HK\$47,500,000 (net of expenses) by way of the rights issue of 441,224,462 rights shares at a price of HK\$0.11 per rights share on the basis of one rights share for every two shares held. Approximately HK\$40,000,000 of the proceeds has been used to repay the Group’s outstanding bank borrowing and the balance will be applied as general working capital.

As announced by the Company on 26 July 2004, the Company proposed to reduce the entire amounts standing to the credit of the share premium account and the capital reserve account of the Company (the “Proposed Reductions”) and to apply part of the credits arising from the Proposed Reductions in the sum of HK\$1,785,508,000 to offset the accumulated losses of the Company as at 31 March 2004 in full and the remaining balance of HK\$227,555,000 be transferred to the contributed surplus account of the Company. The Proposed Reductions are conditional upon the passing of a special resolution at a special general meeting of the Company to be held on 23 August 2004. Details of the Proposed Reductions are set out in the announcement of the Company dated 26 July 2004.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2004, the Group’s bank deposits amounted to HK\$67,357,000. Net current assets were HK\$277,992,000. During the year under review, the Group’s operations continued to be financed by the internal resources and bank borrowings.

The Group’s gearing ratio as at 31 March 2004 was 0.5 times (31 March 2003: 0.6 times), which was calculated on the basis of the Group’s total borrowings (but excluding obligations under finance leases) of HK\$301,545,000 (31 March 2003: HK\$341,816,000) over the shareholders’ funds of HK\$667,215,000 (31 March 2003: HK\$526,385,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 March 2004, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group had no debt securities or other capital instruments as at 31 March 2004 and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as the disposal of Po Cheong and Touch Profits as set out in “Significant Corporate Events” above, the Group had no material acquisitions and disposals of subsidiaries or associates during the year ended 31 March 2004.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There was no material change in the Group’s pledges of assets as compared to the most recent published annual report while the contingent liabilities and capital commitments decreased by HK\$7,741,000 and HK\$27,427,000 respectively.

CAPITAL EXPENDITURE

During the year under review, the Group spent approximately HK\$17,465,000 on acquisition of other property, plant and equipment.

EMPLOYMENT, TRAINING, DEVELOPMENT AND REMUNERATION POLICY

As at 31 March 2004, the number of staff of the Group in the PRC, Hong Kong and the US was about 200, 60 and 13 respectively. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The remuneration policy and package is adjusted according to the human resources market environment. The Group has set up provident retirement benefits, in the form of Mandatory Provident Fund entitlement to Hong Kong’s employees.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company’s shares by the Company or any of its subsidiaries during the year.

AUDIT COMMITTEE

The current audit committee comprises two members, Mr. Wong Sui Wah, Michael and Mr. Pun Hei, Hectar, both of whom are independent non-executive directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including review of the annual report of the Group.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors of the Company have not been appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company’s Bye-laws.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2004 Annual Report containing all the information required by paragraph 45(1) to 45(3) inclusive of Appendix 16 of the Rules Governing the Listing of Securities will be published on website of the Stock Exchange in due course.

By Order of the Board
Easyknit International Holdings Limited
Koon Wing Yee
President and Chief Executive Officer

Hong Kong, 26 July 2004

As of the date of this announcement, the executive directors of the Company are Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu and the independent non-executive directors are Mr. Wong Sui Wah, Michael and Mr. Pun Hei, Hectar.

* *For identification only*

Please also refer to the published version of this announcement in The Standard.