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 2005

The board of directors (the "Board") 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 2005 together with comparative figures for the previous financial year.

	NOTES	**2005** *HK$'000*	**2004** *HK$'000*
Turnover		590,001	706,044
Cost of sales		(461,181)	(567,958)
Gross profit		128,820	138,086
Other operating income		5,127	4,392
Distribution costs		(25,088)	(33,330)
Administrative expenses		(55,345)	(74,151)
Reversal of deficit arising on revaluation of investment properties		140,690	42,500
Unrealised gain on other investments		158,579	—
Impairment loss recognised in respect of property, plant and equipment		—	(9,911)
Impairment loss of goodwill on acquisition of additional interests in subsidiaries		—	(3,270)
Loss on disposal of investment properties		—	(1,644)
Impairment loss of goodwill on acquisition of a subsidiary		—	(104)
Profit from operations	3	352,783	62,568
Gain on disposal of subsidiaries/a subsidiary	4	14,149	63,950
Gain on deemed disposal of discontinued operations	5	—	19,317
Gain on partial disposal of a subsidiary	6	—	886
Finance costs	7	(3,566)	(7,855)
Share of results of associates		2,876	(3,919)
Share of results of a jointly controlled entity		—	(72)

	NOTES	2005 HK$'000	2004 HK$'000
Profit before taxation		366,242	134,875
Taxation	8	(9,889)	(2,459)
Profit before minority interests		356,353	132,416
Minority interests		—	8,414
Net profit for the year		356,353	140,830
Proposed dividend		6,618	6,618
Earnings per share	9		
Basic		HK$0.293	HK$0.166
Diluted		HK$0.291	N/A

Notes:

1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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 and bleaching and dyeing were discontinued in November 2003 and May 2004 respectively.

Segment information about these businesses is presented below:

Year 2005

(i) *Income statement*

	Continuing operations				Discontinued operations		
	Garment sourcing and export *HK$'000*	**Property investment** *HK$'000*	**Investment in securities** *HK$'000*	**Loan financing** *HK$'000*	**Bleaching and dyeing** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER							
External	519,490	63,535	—	—	6,976	—	590,001
Inter-segment	—	3,000	—	—	7	(3,007)	—
Total	519,490	66,535	—	—	6,983	(3,007)	590,001
RESULT							
Segment result and profit from operations	23,667	169,889	159,498	1,926	(258)	(1,939)	352,783
Gain on disposal of subsidiaries					14,149		14,149
Finance costs							(3,566)
Share of results of associates							2,876
Profit before taxation							366,242
Taxation							(9,889)
Net profit for the year							356,353

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$19,812,000.

Year 2004

(i) *Income statement*

	Continuing operations				Discontinued operations			
	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$'000*	Consolidated *HK$'000*
TURNOVER								
External	590,885	57,498	—	—	1,982	55,679	—	706,044
Inter-segment	—	3,000	—	—	—	68	(3,068)	—
Total	590,885	60,498	—	—	1,982	55,747	(3,068)	706,044
RESULT								
Segment result and profit from operations	36,169	59,130	(2,333)	4,701	(26,274)	(363)	(8,462)	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 a jointly controlled entity					(72)			(72)
Profit before taxation								134,875
Taxation								(2,459)
Profit before minority interests								132,416
Minority interests								8,414
Net profit for the year								140,830

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.

Geographical segments

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

	Turnover	
	2005	**2004**
	HK$'000	*HK$'000*
Hong Kong	63,535	59,480
The People's Republic of China, excluding Hong Kong	6,976	55,679
United States of America	468,968	525,916
Canada	1,214	14,907
Mexico	12,309	13,575
Europe	36,999	36,487
	590,001	706,044

3. PROFIT FROM OPERATIONS

	2005	**2004**
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Directors' remuneration	7,383	7,208
Other staff costs, including retirement benefits costs	20,415	32,094
Total staff costs	27,798	39,302
Allowance for doubtful debts	4,215	1,094
Allowance for inventories	3,571	—
Auditors' remuneration:		
- current year	647	876
- underprovision in prior years	78	56
Cost of inventories consumed	420,760	523,254
Cost of properties sold	35,062	32,814
Depreciation and amortisation on:		
- owned assets	1,599	7,662
- assets held under finance leases	20	20
- permanent textile quota entitlements *(note)*	884	1,305
Loss on disposal of other investments	—	2,328
Loss on disposal of property, plant and equipment	—	149
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	516	7,679
and after crediting:		
Gain on disposal of property, plant and equipment	143	—
Gain on disposal of other investments	919	—
Gain on disposal of permanent textile quota entitlements	2	1
Interest income	2,118	3,172

Note: The amount is included in distribution costs.

4. GAIN ON DISPOSAL OF SUBSIDIARIES/A SUBSIDIARY

During the year ended 31 March 2005, the amount represented the gain on disposal of the entire issued shares of Po Cheong International Enterprises Limited ("Po Cheong") to a wholly-owned subsidiary of Asia Alliance Holdings Limited ("Asia Alliance").

During the year ended 31 March 2004, the amount represented the gain on disposal of the entire issued share capital of Touch Profits Limited to an outside party. The principal assets of Touch Profits Limited at the date of disposal are shares of Citic 21CN Company Limited (formerly known as "21CN CyberNet Corporation Limited") ("21CN"), which is a company incorporated in Bermuda with limited liability whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

5. GAIN ON DEEMED DISPOSAL OF DISCONTINUED OPERATIONS

Asia Alliance is incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange. 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 HK$19,317,000, which was credited to the consolidated income statement for the year ended 31 March 2004.

6. GAIN ON PARTIAL DISPOSAL OF A SUBSIDIARY

During the period from June to July 2003 when Asia Alliance was a subsidiary of the Company, the Group disposed of an aggregate of 39,328,000 shares of HK$0.01 each of Asia Alliance, representing approximately 3.57% of the then issued capital of Asia Alliance. The gain on the partial disposal amounted to HK$886,000, which was credited to the consolidated income statement for the year ended 31 March 2004.

As a result of the partial disposal, the Group's equity interest in Asia Alliance was reduced from approximately 55.30% to approximately 51.73%.

7. FINANCE COSTS

	2005	**2004**
	HK$'000	*HK$'000*
Interest on:		
- bank borrowings wholly repayable within five years	3,559	7,496
- other borrowings wholly repayable within five years	—	353
- obligations under finance leases	7	6
	3,566	7,855

8. TAXATION

	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Current tax - Hong Kong Profits Tax:		
Current year	8,677	2,339
Under(over)provision in prior years	5	(165)
	8,682	2,174
Deferred taxation:		
Current year	1,207	264
Attributable to a change in tax rate	—	21
	1,207	285
Tax charge attributable to the Company and its subsidiaries	9,889	2,459

9. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on the following data:

	2005	2004
	HK$'000	*HK$'000*
Earnings for the purposes of calculating basic and diluted earnings per share	356,353	140,830

	2005	2004
Number of shares		
Weighted average number of shares for the purposes of calculating basic earnings per share	1,218,081,240	847,856,926
Effect of dilutive potential shares relating to outstanding share options	5,256,920	
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,223,338,160	

The denominator for the purpose of calculating basic earnings per share for year 2004 has been adjusted to reflect the rights issue of shares in June 2004.

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

FINAL DIVIDEND

No interim dividend was paid during the year ended 31 March 2005. The directors now recommend the payment of a final dividend of 0.5 HK cent (2004: 0.5 HK cent) per share, which in aggregate amounts to approximately HK$6,618,000, in respect of the year ended 31 March 2005 (2004: approximately HK$6,618,000) to the shareholders whose names appear on the register of members of the Company on 23 August 2005.

Subject to the approval by the shareholders at the forthcoming annual general meeting, it is intended that dividend warrants will be despatched to shareholders on or before 30 September 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 August 2005 to Tuesday, 23 August 2005 (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 Wednesday, 17 August 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year under review, the Group recorded a turnover of approximately HK$590,001,000, down approximately 16.4% from last year (2004: approximately HK$706,044,000). The decrease was mainly attributable to the change in product mix of the Group to sell more garments for infants, the selling price of which was around 57.1% lower than that of the garments for women, and downward price adjustment of the Group's textile products as a result of the elimination of the quota costs in January 2005. The disposal of its bleaching and dyeing business in May 2004 also led to the decline in turnover.

Gross profit fell approximately 6.7% to approximately HK$128,820,000 (2004: approximately HK$138,086,000), however, profit margin improved by approximately 11.2% to approximately 21.8% (2004: approximately 19.6%), primarily due to the sale of more infant wear, which generated a higher margin than selling ladies wear. The Group's infant products are mainly sold to the American chain stores and department stores.

Profit from operations rocketed more than 4.6 times to approximately HK$352,783,000 (2004: approximately HK$62,568,000) and net profit attributable to shareholders surged 1.5 times to approximately HK$356,353,000 (2004: approximately HK$140,830,000), which resulted largely from the reversal of deficit arising on revaluation of investment properties amounting to approximately HK$140,690,000, unrealised gain on other investments amounting to approximately HK$158,579,000, gain of approximately HK$14,149,000 on the disposal of Po Cheong, a then wholly-owned subsidiary of the Company, share of results of associates of approximately HK$2,876,000 and reduction in finance costs. Earnings per share rose significantly by approximately 76.5% to approximately HK$0.293 (2004: approximately HK$0.166).

Cost of sales went down by approximately 18.8% to approximately HK$461,181,000 (2004: approximately HK$567,958,000), reflecting the corresponding changes in the product mix and disposal of the bleaching and dyeing business. Coupled with stringent cost control measures, the total operating expenses reduced by approximately 25.2% to approximately HK$80,433,000 (2004: approximately HK$107,481,000).

Finance costs dropped by approximately 54.6% to approximately HK$3,566,000 (2004: approximately HK$7,855,000), principally by reason of repayment of certain bank loans totalled approximately HK$128,081,000 as well as the low interest rate level for the year under review.

Business Review

During the year ended 31 March 2005, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment after the disposal of its bleaching and dyeing business in May 2004.

Garment sourcing and export

During the year under review, garment sourcing and export continued to be the principal business of the Group and contributed approximately 88.1% to the Group's total turnover, an approximately 4.4% increase over last year (2004: approximately 83.7%). The Group has altered its product mix to produce more infant garments to cater for the changes in customer needs. The product mix of infant wear and ladies wear was 35:56 during the year under review as compared to 24:67 of last year. Turnover from this segment diminished by approximately 12.1% to approximately HK$519,490,000 (2004: approximately HK$590,885,000), which was largely due to the relatively lower selling price of the infant wear and the reduction of sales amount of the "Mary Mac" brand name products, predominately resulting from the change in management of the regional office in the United States of America (the "US") during the year under review. This segment generated a profit of approximately HK$23,667,000 (2004: approximately HK$36,169,000).

Geographically, the US continued to be the Group's major export market, accounting for approximately 79.5% of the Group's total turnover (2004: approximately 74.5%). The remaining contribution from this segment was generated from sales to customers located in Europe, Mexico and Canada.

Property investment

The property segment contributed approximately 10.8% to the Group's turnover, amounting to approximately HK$63,535,000 (2004: approximately 8.1% or HK$57,498,000). Benefited from the growth of the Hong Kong property market during the year under review, profits from this segment shot up nearly 1.9 times to approximately HK$169,889,000 (2004:

approximately HK$59,130,000). Investment properties, all of which are located in Hong Kong, provided a steady income to the Group with a turnover of approximately HK$24,345,000 (2004: approximately HK$23,074,000). The average rental income increased nearly 6%. As at 31 March 2005, the Group's commercial rental properties were 100% leased. Its industrial rental properties also maintained a high occupancy rate of over 80%. The building management fee income during the year was approximately HK$173,000 (2004: Nil).

The sale of residential units of Fa Yuen Plaza in Mongkok was well-received and generated approximately HK$39,017,000 cash inflow to the Group during the year under review (2004: approximately HK$34,424,000). As at 31 March 2005, approximately 81% of the available units were sold with the average selling price per square foot gross floor area increased from approximately HK$3,300 to approximately HK$3,500 for the year under review.

As at 31 March 2005, the Group's entire property portfolio stood over approximately HK$641,594,000 (31 March 2004: approximately HK$535,966,000).

Prospects

Garment sourcing and export

To stem a rising tide of the Chinese textile imports following the lifting of the global trade quotas on textiles on 1 January 2005, the US, in May 2005, imposed safeguard quotas limiting the increase in 7 categories of Chinese textile imports to 7.5 % this year by relying upon the terms of the PRC's accession to World Trade Organisation (the "WTO"). The PRC abolished its self-imposed export tariffs on 81 categories of textile products in June 2005, escalating trade tensions with the US. In June 2005, the European Union (the "EU") and the PRC also agreed to limit the growth of 10 categories of Chinese textile products to the EU to between 8% and 12.5% a year until the end of 2007. These safeguard measures have created uncertainties in the textile industry and may in turn impact the business of the Group. We will constantly monitor the market conditions and adjust accordingly.

The Group will continue to strengthen its well-developed sales network and business relationship with its clients and promote its brand name of "Mary Mac" targeting the fast growing PRC market through its regional office in New York. The Group would increase the portion of sales of the infant wear with higher profit margin so as to raise its profitability.

Property investment

Despite rising interest rates, the Group is optimistic about the outlook of the local property market owing to the improvement in both consumer and investor sentiment, mainly bought about by the encouraging land auction results, implementation of the Closer Economic Partnership Agreement and further extension of the "Individual Visit Scheme" for Mainland visitors.

As announced by the Company on 22 February 2005, two subsidiaries of the Company as vendors and Ms. Wong Ching Man or her nominee(s) as purchaser entered into two provisional agreements for the disposal of Shop Unit No. 19 on Ground Floor (the "Property

1") and Shop Unit No. 20 on Ground Floor and Shop Unit No. 20 on the First Floor (the "Property 2") of The Annex Land Building of Excelsior Plaza, Causeway Bay, Hong Kong (together the "Properties") at a consideration of HK$220,000,000 in aggregate. With the upturn in Hong Kong's property market, the directors consider that it is a good opportunity for the Group to dispose of the Properties at a gain of approximately HK$86,000,000 (before taxation and related expenses). The disposal of the Properties, which is expected to be completed on or before 3 August 2005, was approved by the shareholders of the Company at a special general meeting held on 22 April 2005. Details of this are set out in the circular of the Company dated 6 April 2005.

Apart from the Properties, the Group is currently holding other properties for rental purposes. Rental income from these properties is expected to rise, especially for the retail shops located in prime areas such as Causeway Bay, Tsimshatsui and Mongkok. Also, as the mortgage of the Property 2 will be repaid after its disposal, the Group will be able to save the expenses on interest of the mortgage and improve its gearing ratio as a whole. It is believed that the sales of the remaining units of the Fa Yuen Plaza will continue to contribute to the Group's revenue. The Group will prudently seek opportunities for property investment or development in order to benefit from the growing economy and to enhance the shareholders' returns.

Liquidity and Financial Resources

During the year ended 31 March 2005, the Group financed its operations mainly by net proceeds from the disposal of subsidiaries and the issue of rights shares in 2004, internally generated resources and bank borrowings. As at 31 March 2005, the Group's total bank borrowings (but excluding obligations under finance leases) declined by approximately 37.9% to approximately HK$187,349,000 (31 March 2004: approximately 301,545,000), of which approximately 64.6% being short-term borrowings and approximately 35.4% being long-term borrowings. All the loans are secured and denominated in Hong Kong dollars with prevailing market interest rates. The Group's borrowings are mostly event driven, with little seasonality. As at 31 March 2005, the shareholders' fund of the Group amounted to approximately HK$1,065,484,000 (31 March 2004: approximately HK$667,215,000). The Group's gearing ratio, which was calculated based on the total borrowings to the shareholders' fund, decreased substantially from approximately 0.45 as at 31 March 2004 to approximately 0.18 as at 31 March 2005.

The Group continued to sustain a good liquidity position. As at 31 March 2005, the Group had net current assets of approximately HK$472,509,000 (31 March 2004: approximately HK$277,992,000) and cash and cash equivalents of approximately HK$83,901,000 (31 March 2004: approximately HK$67,357,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars and US dollars. As at 31 March 2005, the Group's current ratio was approximately 3.43 (31 March 2004: approximately 2.25), which was calculated on the basis of current assets of approximately HK$667,042,000 (31 March 2004: approximately HK$500,256,000) to current liabilities of approximately HK$194,533,000 (31 March 2004: approximately HK$222,264,000). The improvement in the current ratio was mainly due to the proceeds received from the disposal of subsidiaries and issue of rights shares during the year, which not only reduced the Group's liabilities but also raised its level of current assets. During the year under review, the Group serviced its debts primarily through the proceeds from the rights issue conducted in 2004.

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 year under review. Hence, no financial instrument for hedging purposes was employed.

Capital Structure

As announced by the Company on 11 May 2004, the Company proposed a rights issue of 441,224,462 rights shares of HK$0.10 each at a subscription price of HK$0.11 per rights share on the basis of one rights share for every two shares held. As a result of the rights issue, the issued share capital of the Company has been increased from HK$88,244,892.4 to HK$132,367,338.6 comprising 1,323,673,386 shares of HK$0.10 each with effect from 24 June 2004. The Company raised approximately HK$47,500,000 (net of expenses), out of which approximately HK$40,000,000 has been used to repay the Group's bank borrowings and the balance was applied as general working capital. Details of the rights issue are set out in the prospectus of the Company dated 7 June 2004.

As announced by the Company on 20 May 2004, the Company proposed a reduction in its authorised share capital 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 HK$0.10 each. A special resolution in respect of the proposed reduction was passed at the special general meeting of the Company held on 28 July 2004. Details of such reduction are set out in the circular of the Company dated 29 June 2004.

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 and to apply part of the credits arising therefrom 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 to transfer the remaining balance of HK$227,555,000 to the contributed surplus account of the Company. A special resolution to approve the aforesaid proposal was passed at the special general meeting of the Company held on 23 August 2004. Details of the proposal are set out in the circular of the Company dated 30 July 2004.

The Group had no debt securities or other capital instruments as at 31 March 2005 and up to the date of this announcement.

Material Acquisitions and Disposals

As jointly announced by the Company and Asia Alliance, an associate of the Group, on 5 March 2004, a wholly-owned subsidiary of the Company has conditionally agreed to dispose of all the issued shares of Po Cheong to a wholly-owned subsidiary of Asia Alliance at a consideration of HK$65,000,000 (the "Disposal"). The consideration of the Disposal has been subsequently adjusted down to HK$38,879,778, details of which are set out in the joint announcement of the Company and Asia Alliance dated 16 June 2005. Completion of the Disposal took place on 17 May 2004. As the Group's bleaching and dyeing business was conducted only through Po Cheong and its subsidiary, the Group is no longer engaged in that business after the Disposal (except through its interest in Asia Alliance).

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 March 2005.

Charges on Group Assets

As at 31 March 2005, leasehold land and buildings, and investment properties with carrying amount of approximately HK$9,337,000 (31 March 2004: approximately HK$9,558,000) and approximately HK$619,010,000 (31 March 2004: approximately HK$478,400,000), respectively, were pledged to banks to secure the bank borrowings granted to the Group.

Capital Expenditure and Capital Commitments

During the year ended 31 March 2005, the Group spent approximately HK$1,589,000 (2004: approximately HK$17,465,000) on acquisition of property, plant and equipment.

As at 31 March 2005 and 2004, the Group had no significant capital commitments.

Contingent Liabilities

As at 31 March 2005, the outstanding amount of the Group's banking facilities utilised to the extent of approximately HK$188,913,000 (31 March 2004: approximately HK$301,545,000) were supported by the Company's corporate guarantees given to the banks and bills discounted with recourse were amounted to approximately HK$3,441,000 (31 March 2004: approximately HK$5,719,000).

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2005.

Significant Investment

As at 31 March 2005, the Group had significant investments in a portfolio of Hong Kong listed equity securities with an aggregate market value of approximately HK$244,030,000 (31 March 2004: Nil). These securities were purchased during the year under review at a total cost of approximately HK$85,451,000. As a result, there was unrealised gain of approximately HK$158,579,000 recorded during the year under review due to the increase in the market value of these securities.

Saved as disclosed above, the Group did not have any significant investment held or any significant investment plans as at 31 March 2005.

Future Plan for Material Investments

While the directors of the Company are constantly looking for investment opportunities, no concrete new investment projects have been idenified.

Employment and Remuneration Policy

As at 31 March 2005, the number of employees of the Group in Hong Kong and the US was about 60 and 16 respectively. Employees' cost (including directors' emoluments) amounted to approximately HK$27,798,000 for the year under review (2004: approximately HK$39,302,000). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has adopted the Mandatory Provident Fund for the Hong Kong employees and has made contributions to the pension scheme for the US. The Group also has a share option scheme to motivate valued employees.

AUDIT COMMITTEE

The current audit committee comprises three members, Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong and Mr. Jong Koon Sang, who are independent non-executive directors of the Company. The audit committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including review of the annual results of the Group for the year ended 31 March 2005.

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 ended 31 March 2005.

PROPOSED AMENDMENTS TO BYE-LAWS

On 1 January 2005, the Listing Rules, amongst other changes, were amended by replacing the Code of Best Practice in Appendix 14 by a new Code on Corporate Governance Practices (the "CG Code"). The CG Code sets out principles of good corporate governance, and two levels of recommendations being code provisions and recommended best practices. Issuers, such as the Company, are expected to comply with, but may choose to deviate from the code provisions whereas the recommended best practices are for guidance only. The Company is intent on implementing the code provisions of the CG Code to the extent that it is reasonably practicable and in the interest of the Company to do so. In this connection, it is proposed that certain provisions of the existing Bye-laws of the Company be changed to the effect that:

(a) all directors should be subject to retirement by rotation no later than the third annual general meeting after he was last elected or re-elected; and

(b) all directors, whether they be appointed by the Board or the shareholders in general meeting, to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

Further, the Bye-laws shall be amended to reflect the Listing Rules provision to the effect that the minimum seven-day period for lodgment by shareholders of the notice to nominate a director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting.

Finally, the Bye-laws shall be amended to satisfactorily reflect, where applicable, references to the office of President of the Company.

The proposed amendments to the Company's Bye-laws are subject to approval of the shareholders of the Company at the annual general meeting to be held on 23 August 2005.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules in force immediately prior to 1 January 2005, 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 meetings of the Company in accordance with the provisions of the Company's Bye-laws.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2005.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31 March 2005 containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules in force immediately prior to 31 March 2004 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, 25 July 2005

As of the date of this announcement, the Board comprises Mr. Koon Wing Yee, Mr. Tsang Yiu Kai 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*