The directors of Easyknit International Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2004 with the comparative figures for the previous financial year.

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 report, 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, 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 report.

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.

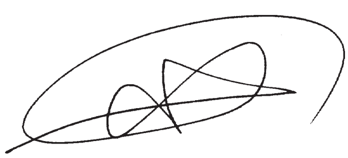
EMPLOYMENT, TRAINING, DEVELOPMENT AND REMUNERATION POLICY

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.

APPRECIATION

On behalf of the board, I would like to express my sincere gratitude to our staff and fellow directors for their contribution to the Group’s development and cordial thanks to the continuing support of our customers, suppliers, business associates and shareholders.

By Order of the Board



Koon Wing Yee
President and Chief Executive Officer

Hong Kong, 26 July 2004