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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Easyknit International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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EASYKNIT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

**DISPOSAL OF SHARES IN
21 CN CYBERNET CORPORATION LIMITED**

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“21 CN”	21 CN CyberNet Corporation Limited, a company incorporated in Bermuda whose shares are listed on the main board of the Stock Exchange
“Agreement”	the agreement dated 15 January 2004 between the Company, the Purchaser and Mr. Chen relating to the sale and purchase of the Sale Shares
“Asia Alliance”	Asia Alliance Holdings Limited, a company incorporated in Bermuda whose shares are listed on the main board of the Stock Exchange and an approximately 35.93% owned subsidiary of the Company which has control on the composition of its board
“Board”	the board of Directors of the Company
“Company”	Easyknit International Holdings Limited, a company incorporated in Bermuda whose Shares are listed on the main board of the Stock Exchange and the Singapore Exchange Securities Trading Limited
“Completion”	completion of the Agreement
“Directors”	the directors of the Company
“Disposal”	the sale of the Sale Shares by the Company under the terms of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	30 January 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen”	Mr. Chen Tien Tui, the registered and beneficial owner of the entire issued share capital of the Purchaser
“PRC”	the People’s Republic of China

DEFINITIONS

“Purchaser”	Fairworld Investments Limited, a company incorporated in the British Virgin Islands which together with its shareholder are independent third parties not connected with the Company, the Directors or chief executive or substantial shareholders of the Group or any of their respective associates as defined under the Listing Rules
“Rights Issue”	the issue by way of rights of five Rights Shares for every one share in issue in the share capital of Asia Alliance on the record date at a price of HK\$0.25 per Rights Share
“Rights Share(s)”	new share(s) in the share capital of Asia Alliance to be issued and allotted under the Rights Issue, being not less than 297,505,700 shares (assuming no exercise of share options of Asia Alliance on or before the record date of the Rights Issue)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sale Shares”	100,000,000 shares of HK\$0.01 each in the issued share capital of 21 CN, representing approximately 3.14% of the issued share capital of 21 CN as at the Latest Practicable Date, beneficially held by the Company
“Share(s)”	share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%” and “per cent.”	percentage or per centum



EASYKNIT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Koon Wing Yee (*President & Chief Executive Officer*)

Ms. Lui Yuk Chu

Mr. Tsang Yiu Kai (*Vice President*)

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Independent Non-executive Directors:

Mr. Wong Sui Wah, Michael

Mr. Pun Hei, Hectar

Head office and principal place

of business in Hong Kong:

Unit A, 7th Floor

Hong Kong Spinners Building, Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

4 February 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION DISPOSAL OF SHARES IN 21 CN CYBERNET CORPORATION LIMITED

INTRODUCTION

On 15 January 2004, the Directors announced that the Company entered into the Agreement on 15 January 2004 with the Purchaser and Mr. Chen, whereby the Company has agreed to dispose of 100,000,000 shares of 21 CN held by its wholly owned subsidiary, representing approximately 3.14% of the issued share capital of 21 CN as at the Latest Practicable Date for an aggregate consideration of HK\$84,000,000. The Disposal constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to give the Shareholders further information of the Disposal.

LETTER FROM THE BOARD

THE AGREEMENT

Parties to the Agreement

Vendor: Easyknit International Holdings Limited

Purchaser: Fairworld Investments Limited

Warrantor: Mr. Chen Tien Tui

Both the Purchaser and Mr. Chen are not connected persons of the Company (as defined under the Listing Rules).

Disposal

The Agreement provides for the disposal of the Sale Shares by the Company as beneficial owner to the Purchaser. The Sale Shares represent approximately 3.14% of the issued share capital of 21 CN as at the Latest Practicable Date. Following the Disposal, the Company will not have any interest in the issued share capital of 21 CN.

Consideration

The total consideration for the Disposal is HK\$84,000,000 and will be payable by the Purchaser in cash/ by cashier's order in the following manner:

- (i) HK\$5,000,000 to be paid on the date of Completion;
- (ii) HK\$39,500,000 to be paid on or before 20 July 2004; and
- (iii) the balance being HK\$39,500,000 to be paid on or before 20 January 2005.

This consideration for the Disposal was determined after arm's length negotiation with reference to the market value of the 21 CN shares. As at the close of trading on 14 January 2004, the closing market price of 21 CN shares as quoted on the Stock Exchange was HK\$0.84 per share, which is equivalent to the purchase price per share of the Sale Shares.

Warrantor

Mr. Chen has agreed to guarantee the performance of the Purchaser's obligations under the Agreement.

Completion

Completion will be on 20 January 2004 or such other date as agreed between the Company and the Purchaser.

LETTER FROM THE BOARD

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

In view of the current market condition, the Directors are of the view that the Disposal is an opportunity for the Company to capitalise its investments in 21 CN at a gain. The Company does not currently have any specific plan for the use of the proceeds from the Disposal other than as general working capital purpose.

INFORMATION ON THE PURCHASER

The Purchaser is a company newly incorporated in the British Virgin Islands for the purpose of the Disposal and is wholly owned by Mr. Chen. The Purchaser is an investment holding company.

INFORMATION ON 21 CN

21 CN is a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange. 21 CN and its subsidiaries are principally engaged in businesses relating to telecommunication-related services, software, systems, solutions, operations and investments in the PRC.

Based on the audited consolidated accounts of 21 CN for the two years ended 31 March 2002 and 31 March 2003, prepared under the accounting policies accepted in Hong Kong, the audited consolidated loss before taxation of 21 CN was HK\$77,400,000 and HK\$26,974,000 respectively, and the audited consolidated loss after taxation of 21 CN was HK\$77,400,000 and HK\$27,056,000 respectively. Based on the audited consolidated accounts of 21 CN for the two years ended 31 March 2002 and 31 March 2003, prepared under the accounting policies accepted in Hong Kong, the audited consolidated net asset value of 21 CN was HK\$117,443,000 and HK\$102,034,000 respectively.

INFORMATION ON THE GROUP

The principal business activities of the Group are sourcing and export of cotton based knitted garments for women, children and infants, bleaching and dyeing, property investment and provision of wireless communication services.

FINANCIAL EFFECTS OF THE DISPOSAL

The consideration of the Disposal of HK\$84,000,000 represents a premium of HK\$64,000,000 over the book value of the Sale Shares of HK\$20,000,000 as stated in the Group's audited accounts for the financial year ended 31 March 2003. The Disposal will therefore realise a gain of about HK\$64,000,000, before related expenses, on the Sale Shares and will be reflected in the accounts of the Company for the year ending 31 March 2004.

The adjusted consolidated net tangible asset value of the Group as at 30 September 2003 was about HK\$581,095,000. Following the Disposal, the pro forma adjusted consolidated net tangible asset value of the Group based on the unaudited consolidated net tangible asset value of the Group as at 30 September 2003 was about HK\$599,095,000. This represents an increase in the net tangible asset value of the Group of approximately 3.10%.

LETTER FROM THE BOARD

GENERAL

The Disposal constitutes a discloseable transaction for the Company under the Listing Rules as the purchase price represents more than 15% of the consolidated net tangible assets of the Group as at 31 March 2003, being the date to which its latest published audited accounts were prepared.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,

By order of the Board of

EASYKNIT INTERNATIONAL HOLDINGS LIMITED

Koon Wing Yee

President and Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of providing information with regard to the discloseable transaction and the Company.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executives of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

A. Interests in the Company

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Mr. Koon Wing Yee (Note a)	Interest of spouse	324,216,452	36.74%
Ms. Lui Yuk Chu (Note a)	Beneficiary of a trust	324,216,452	36.74%
Mr. Tsang Yiu Kai	Beneficial owner	98,175	0.01%

B. Interests in associated corporations

(1) Asia Alliance

i. Interests in issued shares

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage to issued ordinary shares of Asia Alliance
Mr. Koon Wing Yee (<i>Note b</i>)	Interest of spouse	21,376,554	35.93%
Ms. Lui Yuk Chu (<i>Note b</i>)	Beneficiary of a trust	21,376,554	35.93%

ii. Interests in unissued shares

Name of director	Capacity	Number of unissued ordinary shares deemed to be held	Approximate percentage to the Rights Shares
Mr. Koon Wing Yee (<i>Note c</i>)	Interest of spouse	106,882,770	35.93%
Ms. Lui Yuk Chu (<i>Note c</i>)	Beneficiary of a trust	106,882,770	35.93%

(2) Wellmake Investments Limited (“Wellmake”) (*Note d*)

Name of director	Capacity	Number of non-voting deferred share held	Percentage to issued non-voting deferred shares of Wellmake
Mr. Koon Wing Yee	Beneficial owner	1	50%
Ms. Lui Yuk Chu	Beneficial owner	1	50%

Notes:

- (a) The 324,216,452 Shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 324,216,452 Shares by virtue of the SFO.
- (b) The 21,376,554 shares were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 21,376,554 shares by virtue of the SFO.
- (c) These are the Rights Shares which Landmark Profits Limited has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits Limited was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 106,882,770 Rights Shares by virtue of the SFO.
- (d) All the issued ordinary shares which carry the voting rights in the share capital of Wellmake were held by the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executives of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, persons (other than a Director or chief executive of the Company), who had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities were as follows:

Name of substantial shareholder	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Magical Profits Limited (<i>Note</i>)	Beneficial owner	324,216,452	36.74%
Accumulate More Profits Limited (<i>Note</i>)	Interest of controlled corporation	324,216,452	36.74%
Newcourt Trustees Limited (<i>Note</i>)	Trustee	324,216,452	36.74%

Note: The 324,216,452 Shares were registered in the name of and were beneficially owned by Magical Profits Limited which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu, a director and her family members).

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company are not aware of any other persons who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contract with any member of the Group, save for contracts expiring or terminable by the employer within one year without payment of compensation, other than statutory compensation.

5. LITIGATION

On 19 November 2001, Mark Profit Development Limited, a wholly-owned subsidiary of the Company, commenced an action against Mr. Lee Chun Fat and Lee Mark & Associates Architects & Surveyors Limited for a claim for professional negligence relating to the redevelopment project in Fa Yuen Street. The amount of the claim is approximately HK\$103,000,000 plus interest.

On 16 August 2002, Easyknit Properties Holdings Limited, Mark Profit Development Limited and Grand Profit Development Limited (all of which are wholly-owned subsidiaries of the Company) commenced an action against Mr. Chau Chok Ming, a former employee of the Group, for the alleged unauthorised acceptance of commission and/or personal advantages from his services to the above mentioned plaintiffs. The aggregate amount of the claims is approximately HK\$105,000,000 plus interest.

On 5 February 2003 and 22 February 2003, a writ and an amended writ were issued against i100 Wireless (Hong Kong) Limited, a wholly-owned subsidiary of Asia Alliance, by Right Choice Development Limited (landlord of the premises as stated below) claiming a total sum of HK\$596,860 being the arrears of rental, management fees and rates plus any subsequent arrears of rent, management fees and rates until the date of delivery of vacant possession in relation to an alleged breach of a tenancy agreement for the premises known as Shop Nos. 7 and 8 on Ground Floor and the whole First Floor of Hang Lung Mansion, Nos. 578-580 Nathan Road, Nos. 44-46 Dundas Street, Kowloon, Hong Kong. An acknowledgement of service has been filed in respect of the claim. On 17 March 2003, the vacant possession of the premises has been duly delivered to the landlord. As at the Latest Practicable Date, the Group intends to contest the legal proceedings with defence.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against any member of the Group as at the Latest Practicable Date.

6. MISCELLANEOUS

- (a) The Secretary of the Company is Mr. Tsang Yiu Kai, *FHKSA, FCCA, AHKIT, CGA and CPA*.
- (b) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business in Hong Kong is at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The share registrars and transfer office of the Company in Hong Kong is Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.