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EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 1218

**ONGOING CONNECTED TRANSACTIONS
CLARIFICATION ANNOUNCEMENT**

Reference is made to the announcement issued by the Company dated 20th May, 2004 in relation to, amongst others, the LTC Transactions, the KPF Transactions and the proposed reduction in authorised share capital of the Company. The Directors wish to clarify that the LTC Sale Transactions and the KPF Sale Transactions will not be proceeded with.

Reference is made to the announcement issued by the Company dated 20th May, 2004 in relation to, amongst others, the LTC Transactions, the KPF Transactions and the proposed reduction in authorised share capital of the Company. Terms defined in the Announcement have the same meaning when used herein.

CLARIFICATION

It was stated in the Announcement that Independent Shareholders' approval will be sought at the SGM in respect of the LTC Transactions and the KPF Transactions subject to the LTC Cap and the KPF Cap respectively. The Directors wish to clarify that the LTC Sale Transactions and the KPF Sale Transactions will not be proceeded with as a result of disposal of the Group's interest in Po Cheong, the details of which are set out in this announcement below.

Upon completion of the disposal of all the issued shares of Po Cheong by Easyknit International Trading Company to Best Ability, Po Cheong has ceased to be a subsidiary of the Company with effect from 17th May, 2004. Prior to the Disposal, the LTC Sale Transactions and the KPF Sale Transactions were carried out solely by the Po Cheong Group and will still be carried out by the Po Cheong Group after the Disposal. Details of the Disposal were set out in the joint announcement issued by Asia Alliance and the Company dated 5th March, 2004. Between the period after completion of the Disposal which took place on 17th May, 2004 and before the Company entered into a supplemental letter with each of Mr. Louie and Ms. Koon on 15th June, 2004, the LTC Sale Transactions and the KPF Sale Transactions were carried out by the Po Cheong Group, which had then become part of the Asia Alliance Group. As a result of completion of the Disposal on 17th May 2004, the Company entered into a supplemental letter with each of Mr. Louie and Ms. Koon on 15th

June, 2004 pursuant to which the parties have agreed to vary the LTC Agreement and the KPF Agreement respectively such that the LTC Sale Transactions and the KPF Sale Transactions will not be proceeded with the Group (and instead will only be proceeded with by the Asia Alliance Group).

Although the Disposal was completed on 17th May, 2004, due to an oversight which the Directors will take steps to ensure will not recur in the future, references were made to the LTC Sale Transactions and the KPF Sale Transactions in the Announcement.

Accordingly, approval will be sought from the Independent Shareholders at the SGM for the entering into of the LTC Purchase Transactions and the KPF Purchase Transactions only subject to their respective cap as stated in the Announcement.

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.

DEFINITIONS

The following terms are used in this announcement with the meanings assigned to them below:-

“Announcement”	the announcement made by the Company dated 20th May, 2004 in relation to, amongst others, the LTC Transactions, the KPF Transactions and the proposed reduction in authorised share capital of the Company
“Asia Alliance”	Asia Alliance Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Asia Alliance Group”	Asia Alliance and its subsidiaries
“Best Ability”	Best Ability Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Asia Alliance
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange and the SGX-ST
“Disposal”	the disposal by Easyknit International Trading Company and the acquisition by Best Ability of the entire issued share capital of Po Cheong, details of which are set out in the joint announcement issued by Asia Alliance and the Company dated 5th March, 2004

“Easyknit International Trading Company”	Easyknit International Trading Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Po Cheong”	Po Cheong International Enterprises Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Asia Alliance
“Po Cheong Group”	Po Cheong and its subsidiary

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

Hong Kong, 23rd June, 2004

** for identification only*

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