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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)



Asia Alliance Holdings Limited
亞洲聯盟集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 0616)

MAJOR AND CONNECTED TRANSACTION FOR ASIA ALLIANCE HOLDINGS LIMITED

CLARIFICATION ANNOUNCEMENT

The Easyknit Directors wish to clarify that after further review with the auditors of Easyknit, Asia Alliance should be accounted for as an associate of Easyknit (instead of a subsidiary as stated in the Announcement).

Reference is made to the joint announcement made by Easyknit International Holdings Limited and Asia Alliance Holdings Limited on 5 March, 2004 (“Announcement”). Terms used herein shall have the same meanings as ascribed thereto in the Announcement.

CLARIFICATION

It was stated in the Announcement that the Acquisition is not expected to have any material impact on the profit and loss account of Easyknit Group after the Completion as Asia Alliance will be treated as a subsidiary of Easyknit under the GAAP. The Easyknit Directors confirmed that such view was arrived at after due and careful enquiry, in reliance on advice of Easyknit’s auditors as to the application of GAAP. The auditors of Easyknit informed the board of Easyknit that such view was primarily based on the fact that the majority of the Asia Alliance Board comprised persons who were also executive Easyknit Directors.

The Easyknit Directors wish to clarify that subsequent to the Announcement, although there has not been any change in circumstances since the date of the Announcement to this announcement, after further review of the circumstances, the Easyknit Directors and Easyknit’s auditors consider that the initial view above is not correct and has to be revised as the substance of the relationship between Easyknit and Asia Alliance does not indicate that Easyknit controls Asia Alliance for accounting purposes. Consequently, the Easyknit Directors and Easyknit’s auditors are of the view that as at the date of the Announcement, as at the date of this announcement and subsequent to the date of this announcement, save for any change in circumstances subsequent to this announcement (which is currently not expected to occur), Asia Alliance should be/will be accounted for as an associate of Easyknit under the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants (“SSAP”).

Such view is based on the fact that (a) Easyknit owns less than half of the voting power of Asia Alliance; and (b) Easyknit does not “control”, as defined in SSAP No.32 “Consolidated financial statements and accounting for investments in subsidiaries”, Asia Alliance, notwithstanding the fact that the majority of the Asia Alliance Board comprises persons who are also executive Easyknit Directors. Based on the revised view that Asia Alliance is an associate of Easyknit for accounting purposes, Easyknit will recognise a profit of approximately HK\$30.6 million upon Completion.

Easyknit also confirms that, based on its legal advice, Asia Alliance was not as at the date of the Announcement, is not as at the date of this announcement and will not be subsequent to the date of this announcement, save for any change in circumstances subsequent to this announcement (which is currently not expected to occur), a subsidiary of Easyknit under Section 2 of the Companies Ordinance.

As of the date of this announcement, the executive directors of Easyknit are Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu and the independent non-executive directors of Easyknit are Mr. Wong Sui Wah, Michael and Mr. Pun Hei, Hectar. The executive directors of Asia Alliance are Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu and the independent non-executive directors of Asia Alliance are Mr. Kan Ka Hon and Mr. Kwong Jimmy Cheung Tim.

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

By Order of the Board
Asia Alliance Holdings Limited
Koon Wing Yee
President and Chief Executive Officer

Hong Kong, 21 April 2004

** for identification only*

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