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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

DISCLOSEABLE TRANSACTION

The Board announces that Mark Profit, a wholly-owned subsidiary of the Company, made application for 34,100,000 excess rights shares of Capital Estate on 17 October 2005 and was allotted 33,286,000 excess rights shares of Capital Estate at HK\$1.00 each, representing approximately 12.67% of the issued share capital of Capital Estate as enlarged by the Rights Issue, on 20 October 2005.

The Aggregated Acquisition constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. A circular in connection with the Aggregated Acquisition will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the announcements made by Capital Estate dated 11 August 2005, 9 September 2005 and 19 October 2005 respectively in relation to the Rights Issue. Capital Estate is a company listed on the main board of the Stock Exchange and is principally engaged in property rental, financial investment, property development, property sales, provision of estate agency services, and investments.

The Board announces that Mark Profit, a wholly-owned subsidiary of the Company, made application for 34,100,000 excess rights shares of Capital Estate on 17 October 2005 and was allotted 33,286,000 excess rights shares of Capital Estate at HK\$1.00 each, representing approximately 12.67% of the issued share capital of Capital Estate as enlarged by the Rights Issue, on 20 October 2005. Mark Profit acquired the shares of Capital Estate in the market on 20 September 2005 and held 100 shares of Capital Estate prior to the Rights Issue, representing approximately 0.0002% of the then issued share capital of Capital Estate. On the basis of four rights shares for every share held, Mark Profit is entitled to provisional allotment of 400 rights shares. The Board advises that Mark Profit had not accepted the provisional allotment of 400 rights shares under the Rights Issue. After the Acquisition, Mark Profit holds 33,286,100 shares of Capital Estate, representing approximately 12.67% of the issued share capital of Capital Estate after the Rights Issue. Based on the 33,286,000 excess

rights shares being allotted at the subscription price of HK\$1.00 each, the payment for the Acquisition of HK\$33,286,000 has been satisfied in full by cash through internal resources of the Group and will be recorded as available-for-sale financial assets in the financial statements of the Group.

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REASONS AND BENEFITS OF THE ACQUISITION

The Directors are constantly looking for investment opportunities that may benefit the Group and Shareholders. 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 sentiments, mainly brought about by the recent encouraging land auction results, implementation of the Closer Economic Partnership Agreement and further extension of the “Individual Visit Scheme” for visitors from the People’s Republic of China. As Capital Estate is engaged in property-related investment activities in Hong Kong, the Directors are of the view that the Acquisition will strengthen the investment portfolio of the Group.

For the year ended 31 July 2003, Capital Estate recorded losses before and after taxation of approximately HK\$46,008,000 and HK\$46,032,000 respectively. For the year ended 31 July 2004, Capital Estate recorded losses before and after taxation of approximately HK\$2,880,000 and HK\$2,882,000 respectively. Based on the interim report of Capital Estate for the six months ended 31 January 2005, its net asset value as at 31 January 2005 was approximately HK\$133,801,000.

The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and Shareholders as a whole.

GENERAL

The Group is principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, save for the interests of Mark Profit in Capital Estate, Capital Estate and its ultimate beneficial controlling shareholders are Independent Third Parties and are not connected persons to the Company.

DEFINITIONS

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

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| “Acquisition” | the acquisition of 33,286,000 excess rights shares of Capital Estate by Mark Profit pursuant to its excess rights share application under the Rights Issue |
| “Aggregated Acquisition” | the acquisition of 100 shares (as adjusted to reflect the share consolidation of Capital Estate in September 2005) of Capital Estate by Mark Profit in the market on 20 September 2005 in aggregate with the Acquisition |
| “associates” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors |
| “Capital Estate” | Capital Estate Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange |
| “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 |
| “Director(s)” | director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Independent Third Party(ies)” | independent third party(ies) not connected with the directors, chief executive or substantial shareholders of the Company and its subsidiaries or their respective associates |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mark Profit” | Mark Profit Development Limited |
| “Rights Issue” | the rights issue of Capital Estate on the basis of four rights shares for every share held at HK\$1.00 per rights share |
| “SGX-ST” | Singapore Exchange Securities Trading Limited |
| “Shareholders” | holders of shares of the Company |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |

As at 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.

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

Hong Kong, 21 October 2005

** for identification purpose only*