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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

TERMINATION OF ONGOING CONNECTED TRANSACTION AGREEMENT

The Company has terminated the Agreement on 3 November 2005 as Top Star has commenced creditors' voluntary liquidation under section 228(A) of the Companies Ordinance. As at the date of this announcement, Top Star owed the Group approximately HK\$33.3 million which represented prepayments made by the Group to Top Star for the garments to be manufactured for the Group under the Agreement.

Reference is made to the circular issued by the Company dated 29 June 2004 ("Circular") which provided shareholders of the Company ("Shareholders") with information in relation to, amongst other things, the agreement entered into between the Company and Mr. Louie Tsz Chung ("Mr. Louie") on 10 May 2004 as supplemented by a letter dated 15 June 2004 ("Agreement").

Under the Agreement, the Company and its subsidiaries ("Group") agreed to purchase garments, apparel, clothing and textiles from companies controlled by Mr. Louie ("Supplier"). Since Mr. Louie is the nephew of Ms. Lui Yuk Chu, a director of the Company, the transactions under the Agreement constituted "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 approval was obtained from the independent Shareholders at the special general meeting of the Company held on 28 July 2004.

The Company has terminated the Agreement in accordance with its terms on 3 November 2005 as Top Star Garment Limited ("Top Star"), being the Supplier, has commenced creditors' voluntary liquidation under section 228(A) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("Companies Ordinance"). As at the date of this announcement, Top Star owed the Group approximately HK\$33.3 million which represented prepayments made by the Group to Top Star for the garments to be manufactured for the Group that were made in compliance with its terms under the Agreement. The Group has filed proof of debt forms to the liquidator in respect of such debt. The Company will make full provision in respect of the outstanding prepayments in its interim results for the six months ended 30 September 2005.

At the date of this announcement, the board of directors of the Company 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
Easyknit International Holdings Limited
Koon Wing Yee
President and Chief Executive Officer

Hong Kong, 3 November 2005

** for identification only*