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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: 616

**ADJUSTMENT TO CONSIDERATION
MAJOR AND CONNECTED TRANSACTION
FOR ASIA ALLIANCE HOLDINGS LIMITED**

Further to the joint announcements of Easyknit and Asia Alliance dated 5 March 2004, 26 March 2004, 2 April 2004, 8 April 2004 and 21 April 2004 and the circular and the announcement of Asia Alliance dated 23 April 2004 and 10 May 2004 respectively, Easyknit and Asia Alliance announce the adjustment to the Consideration in accordance with the Sale and Purchase Agreement. The audited consolidated accounts of Po Cheong Group for the financial year ended 31 March 2005 have been finalised and the Consideration shall be adjusted downwards to HK\$38,879,778. Accordingly, pursuant to the terms of the Sale and Purchase Agreement, Easyknit International Trading Company shall pay to Best Ability an amount of HK\$11,120,222 within 10 business days after the release of the audited consolidated net profit of Po Cheong Group for the financial year ended 31 March 2005 and this announcement.

Reference is made to the joint announcements of Easyknit and Asia Alliance dated 5 March 2004 (the “Announcement”), 26 March 2004, 2 April 2004, 8 April 2004 and 21 April 2004 and the circular and the announcement of Asia Alliance dated 23 April 2004 and 10 May 2004 respectively in relation to the acquisition by Best Ability, a wholly-owned subsidiary of Asia Alliance and the sale by Easyknit International Trading Company, a wholly-owned subsidiary of Easyknit, of the Po Cheong Sale Shares at the Consideration of HK\$65,000,000, subject to adjustment (the “Adjustment”) pursuant to the terms of the Sale and Purchase Agreement. Unless otherwise specified, terms used herein shall have the same meanings as defined in the Announcement.

As mentioned in the Announcement, Asia Alliance would make an announcement on whether the Adjustment is applicable concurrent with the release of the audited consolidated net profit of Po Cheong Group for the financial year ended 31 March 2005 (the “Net Profit”). The Consideration shall be satisfied in cash, of which HK\$50,000,000 was paid on 13 May 2004 (the “Partial Payment”) and the remaining balance of HK\$15,000,000 shall be payable after finalisation of the Adjustment. Completion of the Acquisition took place on 17 May 2004 and the audited consolidated accounts of Po Cheong Group for the financial year ended 31 March 2005 (the “Accounts”) are available on 16 June 2005.

Under the Accounts, the Net Profit, by reference to which the Adjustment is determined, amounted to HK\$5,554,254. Accordingly, seven times of the Net Profit, which is HK\$38,879,778, is less than HK\$65,000,000, representing a shortfall of HK\$26,120,222. Under the terms of the Sale and Purchase Agreement, where seven times of the Net Profit is less than HK\$65,000,000, the Consideration shall be adjusted downwards by the amount of such shortfall to HK\$38,879,778 (the “Adjusted Consideration”). Easyknit International Trading Company shall compensate Best Ability HK\$11,120,222, being the difference between the Partial Payment and the Adjusted Consideration, within 10 business days after the release of the Accounts and this announcement and the balance of the Consideration of HK\$15,000,000 will not be payable by Best Ability.

Easyknit is issuing this announcement voluntarily to provide information to the Easyknit Shareholders.

As at the date of this announcement, the board of Easyknit 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. The board of Asia Alliance comprises Mr. Koon Wing Yee, Mr. Tsang Yiu Kai and Ms. Lui Yuk Chu as executive directors and Mr. Kan Ka Hon, Mr. Kwong Jimmy Cheung Tim and Mr. Lau Sin Ming as independent non-executive directors.

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
Chairman and Chief Executive Officer

Hong Kong, 16 June 2005

* *For identification only*