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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

RESUMPTION OF TRADING

The Board announces that on 9 October 2006, Mark Profit, a wholly-owned subsidiary of the Company, disposed of the Sale Shares in Capital Estate in the market at an average consideration of HK\$0.112 per Sale Share.

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

At the request of the Company, trading in the shares of the Company has been suspended with effect from 2:30 p.m. on 9 October 2006 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 12 October 2006.

The Board announces that on 9 October 2006, Mark Profit, a wholly-owned subsidiary of the Company, disposed of the Sale Shares in Capital Estate in the market at an average consideration of HK\$0.112 per Sale Share, i.e. approximately HK\$18,640,000 in total.

The settlement of the transaction will be completed in cash within two days from 9 October 2006. The Group acquired the Sale Shares at a cost of approximately HK\$33,286,000. The carrying value of the Sale Shares as at 31 March 2006 was approximately HK\$8,255,000. The difference in value of approximately HK\$25,031,000 had been recognised as a loss directly in a reserve account as stated in the Group's audited accounts for the financial year ended 31 March 2006. When the Sale Shares were disposed of as disclosed in this announcement, the Group accrued a loss of approximately HK\$14,713,000, which was derived from the difference between the amount of net proceeds of the Disposal of approximately HK\$18,573,000 and the carrying value of the Sale Shares (i.e. approximately HK\$8,255,000) and then minus the recognised loss in the reserve account of approximately HK\$25,031,000. The net proceeds of the Disposal of approximately HK\$18,573,000 (without taking into account legal costs and other indirect costs) will be used to expand the Group's property portfolio as and when opportunities arise and the balance, if any, as general working capital purposes.

INFORMATION ABOUT CAPITAL ESTATE AND THE SALE SHARES

Capital Estate and its subsidiaries are principally engaged in property rental, financial investment, property development, property sales, provision of estate agency services and investment.

The net losses (before and after taxation and extraordinary items) attributable to the Sale Shares for the financial year ended 31 July 2004 were approximately HK\$283,000 and HK\$281,000 respectively.

The net profits (before and after taxation and extraordinary items) attributable to the Sale Shares for the financial year ended 31 July 2005 were approximately HK\$624,000 and HK\$580,000 respectively.

REASONS AND BENEFITS OF THE DISPOSAL

The Sale Shares were acquired by the Group in September and October 2005 with a view to participating in the local property market through strategic investment in the listed equities of another company which was engaged in property-related investment activities in Hong Kong. Nevertheless, since the second quarter of 2006, the Company observed that the views of Capital Estate as to the local property market have not always aligned with those of the Group. In addition, in May 2006, Capital Estate made a placement of warrants which have a potential dilution effect on the Group's shareholding in Capital Estate; and in June 2006, Capital Estate made a placement of shares which diluted the Group's shareholding in Capital Estate from approximately 12.56% to approximately 10.48%. As the trading price of Capital Estate has undergone a 10 month-long downward trend and the Directors consider that it is for the commercial benefit of the Company and the Shareholders as a whole to (1) limit the investment loss due to potential further shareholding dilution and further reduction of share price; and (2) realise the relevant investment and strengthen the Group's cash position for future development, the Directors decided to dispose of the Sale Shares as disclosed in this announcement.

The Directors, including the independent non-executive Directors, consider that the terms of the Disposal are fair and reasonable and in the interests of the Company and the 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.

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DEFINITIONS

“Board”	the board of Directors of the Company
“Capital Estate”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed and traded 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 and traded on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Shares by Mark Profit
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mark Profit”	Mark Profit Development Limited, a wholly-owned subsidiary of the Company

“Sale Shares”	166,430,500 shares in Capital Estate, representing approximately 9.83% of the total issued shares of Capital Estate as at 9 October 2006, and as the context requires, refers to the shares of Capital Estate which have become the Sale Shares after subdivision and/or consolidation of shares of Capital Estate
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Easyknit International Holdings Limited
Tse Wing Chiu, Ricky
President and Chief Executive Officer

Hong Kong, 11 October 2006

** for identification only*

As at the date of this announcement, the Board comprises Mr. Tse Wing Chiu, Ricky 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.