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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

VERY SUBSTANTIAL DISPOSAL DISPOSAL OF COMMERCIAL PROPERTIES and RESUMPTION OF TRADING

On 17 February 2005, the Purchaser and the Vendors entered into two provisional agreements, one for the disposal of Property 1 and one for the disposal of Property 2, at a consideration of HK\$220,000,000 in aggregate.

The Disposal constitutes a very substantial disposal for the Company under the Listing Rules. Therefore it is subject to the Shareholders' approval under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Disposal, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 18 February 2005 and on the SGX-ST from 9:00 a.m. on the same date, pending issue of this announcement. Application has been made by the Company to the Stock Exchange and the SGX-ST for the resumption of trading in the Shares on the Stock Exchange and the SGX-ST from 9:30 a.m. and 9:00 a.m. respectively on 23 February 2005.

THE DISPOSAL

Property 1

Contract date: 17 February 2005

Parties:

Vendor 1: Victor Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

Purchaser: Wong Ching Man, or her nominee. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wong Ching Man is an Independent Third Party.

Agent: Centaline Property Agency Limited whose registered office is situated at 5th Floor, Tower 1, New World Tower, 18 Queen's Road Central, Hong Kong.

Property 1: Shop 19 on Ground Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong.

Summary: This is a provisional agreement for the disposal of Property 1 at a consideration of HK\$70,000,000. Vendor 1 is selling Property 1 as its owner. The Purchaser and Vendor 1 will enter into a formal agreement in relation to the sale and purchase of Property 1 on substantially the same terms as the Provisional Agreement 1 on or before 3 March 2005.

The consideration was reached after arm's length negotiation between the parties with reference to the prevailing market rates, i.e. reported sales prices of comparable shop premises in Causeway Bay in recent transactions.

An initial deposit of HK\$2,000,000 was paid in cash by the Purchaser on 17 February 2005. Under the Provisional Agreement 1, a further deposit of HK\$5,000,000 will be payable by the Purchaser on or before 3 March 2005 and the balance of the consideration of HK\$63,000,000 will be payable in cash upon completion. Completion of the disposal of Property 1 is expected to take place on or before 3 August 2005.

Property 1 is to be sold subject to Tenancy Agreement 1. Tenancy Agreement 1 is for a term of 2 years from 13 May 2004 to 12 May 2006 for a monthly rent of HK\$160,000 (exclusive of rates, management fee and other miscellaneous expenses). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Tenant 1 is an Independent Third Party.

Property 1 is the only asset of Vendor 1 and Vendor 1 has no other source of income.

The net loss before taxation for the financial year ended 31 March 2003 of Vendor 1 was HK\$6,804,291 and its net loss after taxation was HK\$6,752,291. The net profit before taxation of Vendor 1 for the financial year ended 31 March 2004 was HK\$8,420,716 and its net profit after taxation was HK\$8,080,716. The net book value of Property 1 was HK\$28,000,000 as at 31 March 2003 and HK\$36,000,000 as at 31 March 2004. The net liabilities of Vendor 1 were HK\$6,485,106 as at 31 March 2003 and the net assets were HK\$2,238,250 as at 31 March 2004.

The rental deposit paid by Tenant 1 to Vendor 1 of HK\$480,000 will be deducted from the final payment of the consideration upon completion.

Property 2

Contract date: 17 February 2005

Parties:

Vendor 2: Perfect Luck Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

Purchaser: Wong Ching Man or her nominee. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wong Ching Man is an Independent Third Party.

Agent: Centaline Property Agency Limited whose registered office is situated at 5th Floor, Tower 1, New World Tower, 18 Queen's Road Central, Hong Kong.

Property 2: Shop 20 on Ground Floor and Shop 20 on the First Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong.

Summary: This is a provisional agreement for the disposal of Property 2 at a consideration of HK\$150,000,000. Vendor 2 is selling Property 2 as its owner. The Purchaser and Vendor 2 will enter into a formal agreement in relation to the sale and purchase of Property 2 on substantially the same terms as the Provisional Agreement 2 on or before 3 March 2005.

The consideration was reached after arm's length negotiation between the parties with reference to the prevailing market rates, i.e. reported sales prices of comparable shop premises in Causeway Bay in recent transactions.

An initial deposit of HK\$4,000,000 was paid in cash by the Purchaser on 17 February 2005. Under the Provisional Agreement 2, a further deposit of HK\$11,000,000 will be payable by the Purchaser on or before 3 March 2005 and the balance of the consideration of HK\$135,000,000 will be payable in cash upon completion. Completion of the disposal of Property 2 is expected to take place on or before 3 August 2005.

Property 2 is to be sold subject to Tenancy Agreement 2. Tenancy Agreement 2 is for a term of 3 years from 25 July 2003 to 24 July 2006 for a monthly rent of HK\$285,000 (exclusive of rates, management fee and other miscellaneous expenses). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Tenant 2 is an Independent Third Party.

Property 2 is the only asset of Vendor 2 and Vendor 2 has no other source of income.

The net loss before and after taxation for the financial year ended 31 March 2003 of Vendor 2 was HK\$1,110,175. The net profit before and after taxation for the financial year ended 31 March 2004 of Vendor 2 was HK\$21,481,489. The net book value of Property 2 was HK\$78,000,000 as at 31 March 2003 and HK\$98,000,000 as at 31 March 2004. The net liabilities of Vendor 2 were HK\$175,649,320 as at 31 March 2003 and HK\$154,167,831 as at 31 March 2004.

The rental deposit paid by Tenant 2 to Vendor 2 of HK\$1,140,000 will be deducted from the final payment of the consideration upon completion.

CONDITION PRECEDENT

The Disposal will be binding on the Vendors upon the Company having obtained all necessary approvals, if any, in respect of the Disposal pursuant to the Listing Rules, including but not limited to the obtaining of the Shareholder's approval.

The Purchaser is entitled to terminate both Provisional Agreement 1 and Provisional Agreement 2 should the Vendors fail to prove good title for either Property 1 or Property 2.

TERMINATION

Subject to further agreement between the parties, the completion of the Disposal can be delayed provided that Property 1 and Property 2 are disposed of at the same time.

If the disposal of either Property 1 or Property 2 is terminated due to the default of either the Vendors or the Purchaser, both Provisional Agreement 1 and Provisional Agreement 2 will be terminated at the same time, and the Vendors must return the deposit to the Purchaser without interest.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company and its subsidiaries are principally engaged in the sourcing and export of cotton-based knitted garments for women, children and infants, and property investment.

The gross proceeds from disposal of Property 1 and Property 2 will be applied in or toward repayment of the outstanding mortgage of approximately HK\$25,000,000 in relation to Property 2 and the balance will be used as general working capital. There is no mortgage outstanding on Property 1.

Property 1 and Property 2 are held by the Group for rental purposes under operating leases. In the latest valuation report by Messrs. Knight Frank, a firm of independent professional property valuers, Property 1 and Property 2 were valued at HK\$36,000,000 and HK\$98,000,000 respectively as at 31 March 2004. The book values of Property 1 and Property 2 were HK\$36,000,000 and HK\$98,000,000 respectively as at 31 March 2004. The Company will engage an independent valuer to revalue Property 1 and Property 2. The new valuation report will be included in the circular to be despatched to the Shareholders.

The gain (before taxation and before the expenses relating to the Disposal) on the Disposal of Property 1 and Property 2 based on their book values as at 31 March 2004 are approximately HK\$34,000,000 and HK\$52,000,000 respectively.

Property 1 and Property 2 are located at a prime business area in Causeway Bay of Hong Kong. Property 1 has saleable area of about 278 square feet and Property 2 has saleable area of about 1,478 square feet. With the recent upturn in Hong Kong's property market, the Directors consider that it is a good opportunity for the Group to dispose of Property 1 and Property 2 with a gain.

The Group is currently holding other properties for rental purposes besides Property 1 and Property 2. The Directors consider that the cash flow of the Group will not be adversely affected by the loss of rental income from Property 1 and Property 2 as a result of the Disposal. At the same time, as the mortgage of Property 2 will be repaid after the Disposal, the Group will be able to save the expenses on interest of the mortgage and improve its gearing ratio as a whole. The Directors believe the Disposal will have no adverse affect on the business of the Group.

The Directors are of the view that the Disposal is in the interest of the Group and is on normal commercial terms, which are fair and reasonable and in the interest of the Shareholders as a whole.

GENERAL

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 18 February 2005 and on the SGX-ST from 9:00 a.m. on the same date, pending issue of this announcement. Application has been made by the Company to the Stock Exchange and the SGX-ST for the resumption of trading in the Shares on the Stock Exchange and the SGX-ST from 9:30 a.m. and 9:00 a.m. respectively on 23 February 2005.

The Disposal constitutes a very substantial disposal for the Company under the Listing Rules, therefore it is subject to the Shareholders' approval under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Disposal and a notice convening the SGM of the Company will be despatched to the Shareholders as soon as practicable.

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.

DEFINITIONS

The following terms are used in this announcement with the meanings assigned to them below:-

“Agent”	Centaline Property Agency Limited whose registered office is situated at 5th Floor, Tower 1, New World Tower, 18 Queen’s Road Central, Hong Kong
“associate”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“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
“Disposal”	the disposal of Property 1 and Property 2 by the Vendor 1 and Vendor 2 pursuant to the Provisional Agreement 1 and the Provisional Agreement 2 respectively
“Group”	the Company and its subsidiaries
“Independent Third Party”	a third party independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property 1”	Shop 19 on Ground Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong
“Property 2”	Shop 20 on Ground Floor and Shop 20 on the First Floor, The Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong
“Provisional Agreement 1”	the provisional agreement dated 17 February 2005 entered into between the Purchaser, Vendor 1 and the Agent
“Provisional Agreement 2”	the provisional agreement dated 17 February 2005 entered into between the Purchaser, Vendor 2 and the Agent
“Purchaser”	Wong Ching Man, an individual who is an Independent Third Party, or her nominee

“SGM”	the special general meeting of the Company be convened to approve, amongst other things, the Disposal
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement 1”	the tenancy agreement dated 23 March 2004 entered into between Vendor 1 and Tenant 1
“Tenancy Agreement 2”	the tenancy agreement dated 25 July 2003 entered into between Vendor 2 and Tenant 2
“Tenant 1”	the present tenant of Property 1
“Tenant 2”	the present tenant of Property 2
“Vendor 1”	Victor Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Vendor 2”	Perfect Luck Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Vendors”	Vendor 1 and Vendor 2

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

Hong Kong, 22 February 2005

* for identification only

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