

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Easyknit International Holdings Limited, you should at once hand this circular together with the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

*Executive Directors:*

Mr. KOON Wing Yee

*(President & Chief Executive Officer)*

Mr. TSANG Yiu Kai

*(Vice President)*

Ms. LUI Yuk Chu

*Independent Non-executive Directors:*

Mr. WONG Sui Wah, Michael

Mr. PUN Hei, Hectar

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

*Head office and principal place*

*of business in Hong Kong:*

Unit A, 7th Floor

Hong Kong Spinners Building, Phase 6

481-483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

30 July 2004

*To the shareholders and, for information only,  
the optionholders*

Dear Sir or Madam,

**PROPOSED RE-ELECTION OF DIRECTORS  
AND  
PROPOSED GENERAL MANDATES TO ISSUE NEW SHARES  
AND REPURCHASE SHARES**

\* For identification only

## INTRODUCTION

The purpose of this circular is to give you information on matters to be dealt with at the annual general meeting of Easyknit International Holdings Limited (“Company”) to be held on 23 August 2004 (“AGM”). They are: (i) re-election of directors of the Company (“Directors”); (ii) grant of general mandate to issue shares of HK\$0.10 each in the capital of the Company (“Shares”); and (iii) grant of general mandate to repurchase Shares.

## PROPOSED RE-ELECTION OF DIRECTORS

According to bye-law 99 of the bye-laws of the Company (“Bye-laws”), at each annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not greater than one-third shall retire from office by rotation save any Director holding office as President or Managing Director. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree among themselves) be determined by lot. The retiring Directors shall be eligible for re-election.

Pursuant to Bye-law 99, Mr. Koon Wing Yee, the President of the Company, shall not be subject to retirement by rotation.

Bye-law 102(B) provides that any Director appointed pursuant thereto shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Pun Hei, Hectar, an independent non-executive Director appointed by the board of Directors (“Board”) pursuant to Bye-law 102(B), shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation. He shall hold office until the AGM and is eligible for re-election pursuant to Bye-law 102(B).

One of the remaining three Directors, being Ms. Lui Yuk Chu, Mr. Tsang Yiu Kai and Mr. Wong Sui Wah, Michael, shall be subject to rotation. As Mr. Wong Sui Wah, Michael is the Director who has been longest in office since his last re-election, he will retire at the conclusion of the AGM and is eligible for re-election pursuant to Bye-law 99.

Bye-law 103 provides that no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for re-election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the Hong Kong branch share registrar and transfer office of the Company.

Accordingly, if a shareholder of the Company (“Shareholder”) wishes to nominate a person to stand for election as a Director, notice of his intention to propose a resolution and the notice executed by his nominee of his willingness to be appointed have to be lodged at the Company’s head office at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong or at the Company’s Hong Kong branch share registrar and transfer office, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during the period from 30 July 2004 to 15 August 2004 (both days inclusive).

Brief biographies, as at 26 July 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein (“Latest Practicable Date”), of the Directors to be re-elected at the AGM are set out below.

**Mr. Wong Sui Wah, Michael**

Mr. Wong Sui Wah, Michael, aged 46, is an independent non-executive Director of the Company. He is a solicitor and notary public of Hong Kong and a China Appointed Attesting Officer. He is a partner in Philip K H Wong, Kennedy Y H Wong and Co. Solicitors & Notaries. He holds a B.A. Degree from McMaster University in Canada in 1981 and obtained his L.L.B from University of London in the United Kingdom, where he attended King’s College in 1984. He is also the company secretary of Raymond Industrial Limited, a company listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Mr. Wong was appointed to the Board in October 2000. He is not a director of any members of the Company and its subsidiaries (the “Group”). Mr. Wong did not hold any directorship in other listed companies in the last three years.

As at the Latest Practicable Date, Mr. Wong did not have any interest in the Shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”). He has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Wong is currently receiving a Director’s fee of HK\$100,000 per annum. His emoluments as a Director are determined by the Board with reference to the Company’s performance and the prevailing market terms.

There is no service contract between the Company and Mr. Wong. Mr. Wong has no fixed term of office. After his re-election at the forthcoming AGM, he will continue to serve on the Board until he resigns or removed and he will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

**Mr. Pun Hei, Hectar**

Mr. Pun Hei, Hectar, aged 33, is an independent non-executive Director of the Company. Mr. Pun was admitted to practise as a Barrister of the High Court in 1995. He holds a Master of Laws degree from the University of London in the United Kingdom, where he attended King’s College and is now a practising Barrister. Mr. Pun was appointed to the Board in January 2004. He is not a director of any members of the Group. Mr. Pun did not hold any directorship in other listed companies in the last three years.

As at the Latest Practicable Date, Mr. Pun did not have any interest in the Shares of the Company (within the meaning of Part XV of the SFO). He has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Pun is currently receiving a Director’s fee of HK\$100,000 per annum. His emoluments as a Director are determined by the Board with reference to the Company’s performance and the prevailing market terms.

There is no service contract between the Company and Mr. Pun. Mr. Pun has no fixed term of office. After his re-election at the forthcoming AGM, he will continue to serve on the Board until he resigns or removed and he will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

## **GENERAL MANDATE TO ISSUE NEW SHARES**

At the AGM, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to allot, issue and deal with additional Shares up to a maximum of 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the resolution (“Issue Mandate”). In addition, if the resolution to authorise the repurchase of Shares is passed, an ordinary resolution will be proposed at the AGM to authorise the Directors to allot and issue further Shares up to an amount equal to the aggregate nominal amount of the Shares purchased under the authority to repurchase.

The Directors have no present intention to issue or allot any new Shares.

## **GENERAL MANDATE TO REPURCHASE SHARES**

At the AGM, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all powers of the Company to repurchase Shares up to a maximum of 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of the resolution (“Repurchase Mandate”). The Company’s authority is restricted to purchases made on the Stock Exchange and otherwise in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The Directors have no present intention to repurchase any Shares.

The Repurchase Mandate and the Issue Mandate, if passed, would continue in force until the conclusion of the next annual general meeting of the Company or until the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable law to be held or until revoked, renewed or varied by ordinary resolution of the Shareholders in general meeting prior to the next annual general meeting, whichever occurs first.

An explanatory statement required by the Listing Rules, to be sent to the Shareholders in connection with the Repurchase Mandate, is set out in the Appendix to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution at the AGM.

## **ANNUAL GENERAL MEETING**

Notice of the AGM is set out in the Company’s 2004 Annual Report to be sent to the Shareholders together with this circular. A proxy form for use at the AGM is enclosed. Whether or not Shareholders are able to attend the AGM, they are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company’s principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the AGM or any adjournment thereof if they so wish. In the event that a Shareholder having lodged a proxy form attends the AGM, his proxy form will be deemed to have been revoked.

Pursuant to the Bye-laws, a poll may be demanded in relation to any resolution put to the vote of the AGM before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

## **RECOMMENDATION**

The Directors consider that the re-election of Directors, the granting of the Repurchase Mandate and the Issue Mandate are in the best interests of the Company and the Shareholders and accordingly recommend the Shareholders to vote in favour of all the relevant resolutions to be proposed at the AGM.

Yours faithfully,  
By order of the Board of  
**Easyknit International Holdings Limited**  
**KOON Wing Yee**  
*President and Chief Executive Officer*

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide all the information in relation to the Repurchase Mandate for the Shareholders' consideration.

## **1. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,323,673,386 Shares.

On the basis that no further Shares are issued or repurchased by the Company prior to the AGM and resolution numbered 5(B) as set out in the notice of the AGM is duly passed, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 132,367,338 Shares during the period in which the Repurchase Mandate remains in force.

## **2. REASONS FOR REPURCHASES**

The Directors believe that it is in the best interests of the Company and the Shareholders to seek the Repurchase Mandate which enables the Directors to repurchase Shares on the Stock Exchange and otherwise in accordance with the Listing Rules. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

## **3. FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply internal funds legally available for such purpose in accordance with its Bye-laws, the Listing Rules and the applicable laws of Bermuda. Any repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including capital paid up on the Shares to be repurchased, profits otherwise available for dividend and in the case of premiums payable on repurchase, sums standing to either the share premium account or contributed surplus account of the Company.

There might be a material adverse impact on the working capital requirements or gearing levels of the Company, as compared with the position disclosed in the latest published audited accounts as at 31 March 2004, in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed purchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels that in the opinion of the Directors are from time to time appropriate for the Company.

#### **4. DIRECTORS' UNDERTAKING**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the the Repurchase Mandate and in accordance with its Bye-laws, the Listing Rules and the applicable laws of Bermuda.

#### **5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor their associates (as defined in the Listing Rules) have any present intention to sell Shares to the Company or its subsidiaries under the Repurchase Mandate if such is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

#### **6. HONG KONG CODE ON TAKEOVERS AND MERGERS**

As at the Latest Practicable Date, Magical Profits Limited (“Magical Profits”) held 486,324,678 Shares, representing approximately 36.74% of the issued share capital of the Company. Magical Profits is wholly owned by Accumulate More Profits Limited (“Accumulate”) which in turn is wholly owned by Newcourt Trustees Limited (“Newcourt”) as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee is the spouse of Ms. Lui Yuk Chu. Accumulate, Newcourt, Ms. Lui Yuk Chu and Mr. Koon Wing Yee are taken to have an interest under the SFO in the same block of 486,324,678 Shares held by Magical Profits.

In the event that the Directors exercise in full the power to repurchase Shares under the Repurchase Mandate, then (if the present shareholdings otherwise remained the same) the attributable shareholdings of each of Magical Profits, Accumulate, Newcourt, Ms. Lui Yuk Chu and Mr. Koon Wing Yee in the Company would be increased to approximately 40.82% of the issued share capital of the Company immediately after the full exercise of the Repurchase Mandate. In the opinion of the Directors, such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Hong Kong Code on Takeovers and Mergers. The Directors have no present intention to exercise the Repurchase Mandate to such an extent as would result in takeover obligations.

**7. SHARE PRICES**

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the previous twelve months preceding the Latest Practicable Date were as follows:

	<b>PER SHARE</b>	
	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2003</b>		
July	0.165	0.118
August	0.133	0.121
September	0.135	0.107
October	0.117	0.106
November	0.113	0.107
December	0.129	0.107
<b>2004</b>		
January	0.125	0.114
February	0.141	0.119
March	0.139	0.114
April	0.125	0.114
May	0.109	0.093
June	0.106	0.094

**8. SHARE REPURCHASE MADE BY THE COMPANY**

During the six months preceding the Latest Practicable Date, no Shares have been repurchased by the Company (whether on the Stock Exchange or otherwise).





# EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

## Form of proxy for Annual General Meeting (or any adjournment thereof)

I/We <sup>(1)</sup> \_\_\_\_\_

of \_\_\_\_\_

being the registered holder(s) of <sup>(2)</sup> \_\_\_\_\_ share(s) of HK\$0.10 each in the capital of Easyknit International Holdings Limited (the "Company") HEREBY APPOINT <sup>(3)</sup> the Chairman of the meeting

or \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to attend and vote for me/us and on my/our behalf at the said meeting of the Company to be held at Chater Room III, Function Room Level, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on Monday, 23 August, 2004 at 9:45 a.m. (or so soon thereafter as the special general meeting ("SGM") of the Company convened at 9:30 a.m. at the same date and place shall have been concluded or adjourned) (or at any adjournment thereof) for the purposes of considering and, if thought fit, passing the resolutions as set out in the notice convening the said meeting as hereunder indicated, and, if no such indication is given, as my/our proxy thinks fit.

		For <sup>(4)</sup>	Against <sup>(4)</sup>
1.	To receive, consider and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2004.		
2.	To declare a final dividend for the year ended 31 March 2004 (declaration of dividend subject to the passing of a special resolution at the SGM in relation to the extinguishment of the accumulated losses of the Company).		
3.	(a) To re-elect Mr. Wong Sui Wah, Michael as an independent non-executive director.		
	(b) To re-elect Mr. Pun Hei, Hectar as an independent non-executive director.		
	(c) To authorise the board of directors to fix the directors' remuneration.		
4.	To appoint Messrs. Deloitte Touche Tohmatsu as auditors and to authorise the board of directors to fix their remuneration.		
5A.	To grant a general mandate to the directors to allot and issue new shares.		
5B.	To grant a general mandate to the directors to repurchase shares of the Company.		
5C.	To add the aggregate nominal amount of share capital repurchased by the Company to the aggregate nominal amount of share capital to be allotted and issued by the directors.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

Signature(s)<sup>(5)</sup>: \_\_\_\_\_

### Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. If any proxy other than the Chairman of the meeting is preferred, please delete the words "the Chairman of the meeting or" and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK THE BOX MARKED "AGAINST"**. Failure to tick a box or insert a number will entitle your proxy to cast your vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than referred to in the notice convening the meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must either be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. To be valid, this form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's principal place of business in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, not less than 48 hours before the time appointed for holding the said meeting or adjourned meeting.
7. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
8. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to attend the meeting. A proxy need not be a member of the Company.
9. Completion and return of this form of proxy will not preclude you from attending and voting at the meeting.

\* For identification only