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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

* *For identification only*

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition of 33,286,000 excess rights shares of Capital Estate by Mark Profit pursuant to its excess rights share application under the Rights Issue
“Aggregated Acquisition”	the acquisition of 100 shares (as adjusted to reflect the share consolidation of Capital Estate in September 2005) of Capital Estate by Mark Profit in the market on 20 September 2005 in aggregate with the Acquisition
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Capital Estate”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed 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 on the Stock Exchange and the SGX-ST
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) not connected with the directors, chief executive or substantial shareholders of the Company and its subsidiaries or their respective associates
“Latest Practicable Date”	10 November 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mark Profit”	Mark Profit Development Limited
“PRC”	the People’s Republic of China
“Rights Issue”	the rights issue of Capital Estate on the basis of four rights shares for every share held at HK\$1.00 per rights share

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	holders of shares of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong



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

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Independent Non-executive Directors:

Mr. Wong Sui Wah, Michael

Mr. Tsui Chun Kong

Mr. Jong Koon Sang

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

14 November 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 21 October 2005, the Board announced that Mark Profit, a wholly-owned subsidiary of the Company, made application for 34,100,000 excess rights shares of Capital Estate on 17 October 2005 and was allotted 33,286,000 excess rights shares of Capital Estate at HK\$1.00 each, representing approximately 12.67% of the issued share capital of Capital Estate as enlarged by the Rights Issue, on 20 October 2005.

The Aggregated Acquisition constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. The purpose of this circular is to give the Shareholders further information on the Aggregated Acquisition.

* For identification only

LETTER FROM THE BOARD

THE AGGREGATED ACQUISITION

Reference is made to the announcements made by Capital Estate dated 11 August 2005, 9 September 2005 and 19 October 2005 respectively in relation to the Rights Issue.

Mark Profit, a wholly-owned subsidiary of the Company, acquired the shares of Capital Estate in the market on 20 September 2005 and held 100 shares of Capital Estate prior to the Rights Issue, representing approximately 0.0002% of the then issued share capital of Capital Estate. On the basis of four rights shares for every share held, Mark Profit is entitled to provisional allotment of 400 rights shares. Mark Profit has not accepted the provisional allotment of 400 rights shares under the Rights Issue.

Mark Profit made application for 34,100,000 excess rights shares of Capital Estate on 17 October 2005 and was allotted 33,286,000 excess rights shares of Capital Estate at HK\$1.00 each, representing approximately 12.67% of the issued share capital of Capital Estate as enlarged by the Rights Issue, on 20 October 2005.

After the Aggregated Acquisition, Mark Profit holds 33,286,100 shares of Capital Estate, representing approximately 12.67% of the issued share capital of Capital Estate after the Rights Issue.

Based on the 33,286,000 excess rights shares being allotted at the subscription price of HK\$1.00 each, the payment for the Acquisition of HK\$33,286,000 has been satisfied in full by cash through internal resources of the Group and will be recorded as available-for-sale financial assets in the financial statements of the Group for the year ended 31 March 2006.

REASONS AND BENEFITS OF THE AGGREGATED ACQUISITION

The Directors are constantly looking for investment opportunities that may benefit the Group and the Shareholders. Despite rising interest rates, the Group is optimistic about the outlook of the local property market owing to the improvement in both consumer and investor sentiments, mainly brought about by the recent encouraging land auction results, implementation of the Closer Economic Partnership Agreement and further extension of the “Individual Visit Scheme” for visitors from the PRC. As Capital Estate is engaged in property-related investment activities in Hong Kong, the Directors are of the view that the Aggregated Acquisition will strengthen the investment portfolio of the Group.

The Directors, including the independent non-executive Directors, consider that the terms of the Aggregated Acquisition are fair and reasonable and in the interests of the Company and Shareholders as a whole.

INFORMATION ON CAPITAL ESTATE

Capital Estate is a company listed on the main board of the Stock Exchange and is principally engaged in property rental, financial investment, property development, property sales, provision of estate agency services, and investments.

LETTER FROM THE BOARD

For the year ended 31 July 2003, Capital Estate recorded losses before and after taxation of approximately HK\$46,008,000 and HK\$46,032,000 respectively. For the year ended 31 July 2004, Capital Estate recorded losses before and after taxation of approximately HK\$2,880,000 and HK\$2,882,000 respectively. Based on the interim report of Capital Estate for the six months ended 31 January 2005, its net asset value as at 31 January 2005 was approximately HK\$133,801,000.

INFORMATION ON THE GROUP

The Group is principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investment.

FINANCIAL EFFECTS OF THE AGGREGATED ACQUISITION

The Aggregated Acquisition was financed by the Group's internal resources. It will not have any effect on the assets and liabilities of the Group as the reduction in cash for the payment for the Aggregated Acquisition will be offset by the corresponding increase in the available-for-sale financial assets of the Group. The Directors also consider that the Aggregated Acquisition will not pose any impact on the earnings of the Group immediately.

GENERAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the interests of Mark Profit in Capital Estate, Capital Estate and its ultimate beneficial owners are Independent Third Parties and are not connected persons (as defined in the Listing Rules) to the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
By order of the Board of
EASYKNIT INTERNATIONAL HOLDINGS LIMITED
Koon Wing Yee
President and Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of providing information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

A. Interests in the Company

Name of Director	Nature of interest	Number of ordinary shares held (long position)	Approximate percentage
Mr. Koon Wing Yee (<i>Note a</i>)	Interest of spouse	486,324,678	36.74
Ms. Lui Yuk Chu (<i>Note a</i>)	Beneficiary of a trust	486,324,678	36.74
Mr. Tsang Yiu Kai	Beneficial owner	149,993	0.01

Note a: These shares relate to the same block of shares in the Company. They were registered in the name of and were beneficially owned by Magical Profits Limited, which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 486,324,678 shares by virtue of the SFO.

B. Interests in associated corporations

(1) *Asia Alliance Holdings Limited* (“Asia Alliance”)

Name of Director	Nature of interest	Number of ordinary shares held (long position)	Approximate percentage
Mr. Koon Wing Yee (<i>Note b</i>)	Interest of spouse	141,085,252	35.93
Ms. Lui Yuk Chu (<i>Note b</i>)	Beneficiary of a trust	141,085,252	35.93

Note b: These shares relate to the same block of shares in Asia Alliance. They were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 141,085,252 shares by virtue of the SFO.

(2) *Wellmake Investments Limited (“Wellmake”) (Note c)*

Name of Director	Nature of interest	Number of non-voting deferred share held (long position)	Approximate percentage
Mr. Koon Wing Yee	Beneficial owner	1	50
Ms. Lui Yuk Chu	Beneficial owner	1	50

Note c: All the issued ordinary shares which carry the voting rights in the share capital of Wellmake were held by the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Director or chief executive of the Company or his respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors nor any of his/her respective associates had any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following are those persons (the “Substantial Shareholders”) (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital:

Name of Substantial Shareholder	Nature of interest	Number of ordinary shares held (long position)	Approximate percentage
Magical Profits Limited (Notes 1 & 2)	Beneficial owner	486,324,678	36.74
Accumulate More Profits Limited (Notes 1 & 3)	Interest of controlled corporation	486,324,678	36.74
Trustcorp Limited (Note 1)	Trustee	486,324,678	36.74

Notes:

1. These shares relate to the same block of shares in the Company. They were registered in the name of and were beneficially owned by Magical Profits Limited, which was a wholly-owned subsidiary by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a Director, and her family members other than spouse).
2. Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited.
3. Ms. Lui Yuk Chu, being a Director, is also a director of Accumulate More Profits Limited.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware of any person, other than a Director or chief executive of the Company, who, as at the Latest Practicable Date, had any interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance pending or threatened against any member of the Group.

6. MISCELLANEOUS

- (a) The secretary and qualified accountant of the Company is Mr. Tsang Yiu Kai, FCPA, FCCA, ATIIHK, CGA, CPA (practising).
- (b) The Hong Kong branch share registrar and transfer office of the Company is Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda and the principal place of business of the Company in Hong Kong is at Unit A, 7 Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.