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**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, 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. Tse Wing Chiu, Ricky

*(President & Chief Executive Officer)*

Ms. Lui Yuk Chu

*(Vice President)*

*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

31 July 2006

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

Dear Sir or Madam,

**RE-ELECTION OF A DIRECTOR,  
GENERAL MANDATES TO ISSUE NEW SHARES  
AND REPURCHASE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

\* *For identification only*

## **INTRODUCTION**

The purpose of this circular is to give you notice of the annual general meeting of Easyknit International Holdings Limited (“Company”) to be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 23 August 2006 at 9:00 a.m. (“2006 AGM”) and to give you information on matters to be dealt with at the 2006 AGM. These matters relate to (i) re-election of a director of the Company (“Director”) who is due to retire at the 2006 AGM; (ii) grant of a general mandate to issue shares of HK\$0.10 each in the capital of the Company (“Shares”); and (iii) grant of a general mandate to repurchase Shares.

## **PROPOSED RE-ELECTION OF DIRECTOR**

In accordance with bye-law 102(B) of the bye-laws of the Company (“Bye-laws”), Mr. Tse Wing Chiu, Ricky, who was appointed by the board of Directors (“Board”) as an executive director of the Company after the last annual general meeting of the Company held on 23 August 2005 (“2005 AGM”), will hold office until the 2006 AGM and being eligible, has offered himself for re-election.

Any shareholder of the Company (“Shareholder”) who wishes to nominate a person to stand for election as a Director at the 2006 AGM must lodge with the Company at its 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 its Hong Kong branch share registrar and transfer office, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong within the period from 1 August 2006 to 7 August 2006 (both days inclusive), (i) his notice of intention to propose such person for election (“nominated candidate”), (ii) a notice executed by the nominated candidate of his willingness to be appointed as Director and (iii) the biographical details of such nominated candidate as required under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”) for publication by the Company.

Brief biographies of the Director to be re-elected at the 2006 AGM are set out below.

### **Mr. Tse Wing Chiu, Ricky (“Mr. Tse”)**

Mr. Tse, aged 48, is an executive director, President, Chief Executive Officer and an authorised representative of the Company and a member and Chairman of the Executive Committee of the Board. He was appointed to the Board in November 2005. He is also an executive director, Chairman, Chief Executive Officer, an authorised representative and a member and Chairman of the Executive Committee of the board of directors of Easyknit Enterprises Holdings Limited (“Easyknit Enterprises”). Mr. Tse obtained a Master’s Degree in Business Administration from Adam Smith University of America in the United States in 1996. He has over 30 years of experience in garment manufacturing and merchandising. He serves as director of various subsidiaries of the Company and Easyknit Enterprises. Save as disclosed above, Mr. Tse did not hold any other directorships in listed companies in the last three years.

As at 24 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein (“Latest Practicable Date”), Mr. Tse did not have any interests 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. He is entitled to receive a monthly basic

salary, currently being HK\$100,000 per month plus a discretionary bonus. His emoluments are to be determined by the Board after recommendation from the Remuneration Committee pursuant to the authority to be sought from by the Shareholders at the 2006 AGM by reference to his time commitment and responsibilities, the Company's performance and the prevailing market conditions.

There is no service contract between the Company and Mr. Tse. Mr. Tse is not appointed for a specified term but is subject to retirement by rotation at the annual general meeting no later than the third annual general meeting after he was last elected or re-elected in accordance with the Bye-laws. Subsequent to Mr. Tse's appointment, he was re-designated by the Board from Vice President to President of the Company on 20 January 2006.

Save as disclosed above, the Board is not aware of any other matters concerning Mr. Tse that need to be brought to the attention of Shareholders nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

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

At the 2005 AGM, an ordinary resolution was passed to grant a general mandate to the Directors to issue Shares. This general mandate will lapse at the conclusion of the 2006 AGM. At the 2006 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"). On the basis that no further Shares are issued or repurchased by the Company after the Latest Practicable Date and subject to the passing of the resolution for the Issue Mandate at the 2006 AGM, the Company will be allowed to allot, issue and deal with a maximum of 397,102,015 Shares, the aggregate nominal amount of which equals to HK\$39,710,201.50. In addition, if the resolution to authorise the repurchase of Shares is passed, an ordinary resolution will be proposed at the 2006 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.

### **PROPOSED GENERAL MANDATE TO REPURCHASE SHARES**

At the 2005 AGM, an ordinary resolution was passed to grant general mandate to the Directors to repurchase Shares. This general mandate will lapse at the conclusion of the 2006 AGM. At the 2006 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 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 an ordinary resolution of the Shareholders in general meeting prior to the next annual general meeting, whichever occurs first.

An explanatory statement, as required by the Listing Rules to be sent to the Shareholders in connection with the Repurchase Mandate, is set out in Appendix I 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 ordinary resolution to approve the Repurchase Mandate at the 2006 AGM.

## **ANNUAL GENERAL MEETING**

Notice of the 2006 AGM is set out in Appendix II to this circular. Proxy form for use at the 2006 AGM is enclosed. Whether or not Shareholders are able to attend the 2006 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 2006 AGM. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the 2006 AGM or any adjournment thereof if they so wish. In the event that a Shareholder having lodged a proxy form attends the 2006 AGM, his proxy form will be deemed to have been revoked.

## **RIGHT TO DEMAND A POLL**

Pursuant to Bye-law 70, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (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 the 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 the Shares conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

## **RECOMMENDATION**

The Directors consider that the re-election of a Director, the granting of the Issue Mandate and the Repurchase 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 2006 AGM.

Yours faithfully,  
By order of the Board of  
**Easyknit International Holdings Limited**  
**Tse Wing Chiu, Ricky**  
*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 1,985,510,079 Shares.

On the basis that no further Shares are issued or repurchased by the Company prior to the 2006 AGM and resolution numbered 4(B) as set out in the notice of the 2006 AGM is duly passed, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 198,551,007 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 funds legally available for such purpose in accordance with its memorandum of association, Bye-laws, the Listing Rules and the applicable laws of Bermuda. Under Bermuda law, 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, funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose; and in the case of premiums payable on repurchase, out of the funds of the Company which would otherwise be available for dividend or distribution or sums standing to the share premium 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 2006, 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 power of the Company to make repurchases pursuant to 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 729,487,017 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 Trustcorp Limited ("Trustcorp") as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse). Trustcorp is a wholly-owned subsidiary of Newcorp Ltd. ("Newcorp"), which in turn is wholly-owned by Newcorp Holdings Ltd. ("Newcorp Holdings"). Each of Mr. David Henry Christopher Hill and Mr. David William Roberts was interested in 35% of the issued share capital of Newcorp Holdings. Accumulate, Trustcorp, Ms. Lui Yuk Chu and her spouse Mr. Koon Wing Yee, Newcorp, Newcorp Holdings, Mr. David William Roberts, Mr. David Henry Christopher Hill and his spouse Mrs. Rebecca Ann Hill are taken to have an interest under the SFO in the same block of 729,487,017 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, Trustcorp, Ms. Lui Yuk Chu, Mr. Koon Wing Yee, Newcorp, Newcorp Holdings, Mr. David Henry Christopher Hill, Mrs. Rebecca Ann Hill and Mr. David William Roberts in the Company would be increased by more than 2% from approximately 36.74% to approximately 40.82% of the issued share capital of the Company immediately after the full exercise of the Repurchase Mandate. Such increase will trigger the Hong Kong Code on Takeovers and Mergers ("Takeovers Code") and the parties stated above may together with any other parties acting in concert with them become obliged to make a mandatory offer under Rule 26 of the Takeovers Code. 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 were traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	PER SHARE	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2005</b>		
July	0.230	0.173
August	0.219	0.173
September	0.185	0.181
October	0.179	0.151
November	0.171	0.155
December	0.171	0.135
<b>2006</b>		
January	0.149	0.127
February	0.143	0.131
March	0.135	0.121
April	0.157	0.123
May	0.179	0.124
June	0.140	0.115
July (up to the Latest Practicable Date)	0.133	0.112

**8. SHARE REPURCHASES 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)***(Stock Code: 1218)**

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting (“AGM”) of Easyknit International Holdings Limited (“Company”) will be held at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 23 August 2006, at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

1. To receive, consider and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2006.
2. To re-elect a retiring director and to authorise the board of directors to fix the directors’ remuneration.
3. To re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

**Ordinary Resolutions**

(A) “**THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements or options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and the Bye-laws of the Company (“Bye-laws”), be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such powers after the end of the Relevant Period;

\* For identification only

(c) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws or (iii) the exercise of any option granted under the share option scheme of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) 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
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares of the Company open for a period fixed by the directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(B) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares, subject to and in accordance with all applicable laws and regulations, the Bye-laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) 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
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**THAT**, subject to the passing of resolutions numbered 4(A) and numbered 4(B) above, the authority granted to the directors of the Company pursuant to resolution numbered 4(A) above be and is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted pursuant to such authority an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to resolution numbered 4(B), provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution.”

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

Hong Kong, 31 July 2006

**Notes:**

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.

2. 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.
3. The instrument appointing a proxy and 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 for holding the meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instruments appointing a proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy will not preclude a shareholder from attending and voting in person at the meeting or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.