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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 licensed securities dealer, 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 to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

**DISCLOSEABLE TRANSACTION
INVOLVING DISPOSAL OF PROPERTY**

* *For identification only*

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DEFINITIONS

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

“Agent”	Midland Realty (Shops) Limited
“Agreement”	the binding provisional sale and purchase agreement dated 26 June 2007 entered into between the Purchaser, the Vendor and the Agent in relation to the Disposal
“associates”	as defined in the Listing Rules
“Board”	the board of Directors
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal, which is expected to be on or before 6 September 2007, in accordance with the terms and conditions of the Agreement and the formal sale and purchase agreement to be signed on or before 16 July 2007
“Consideration”	HK\$92,800,000, the consideration for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Property pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Property”	premises situated on ground floor including cockloft of No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong
“Purchaser”	Deluxe Mind Investments Limited, a company incorporated in Hong Kong with limited liability

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Cheong Ko Investment Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

LETTER FROM THE BOARD



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
Ms. Lui Yuk Chu
Mr. Kwong Jimmy Cheung Tim

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

18 July 2007

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION

INVOLVING DISPOSAL OF PROPERTY

INTRODUCTION

The Company announced in its announcement dated 27 June 2007 that its wholly-owned subsidiary has entered into the Agreement with the Purchaser on 26 June 2007 to dispose of the Property at a consideration of HK\$92,800,000. The purpose of this circular is to provide you with further details of the Disposal.

* *For identification only*

LETTER FROM THE BOARD

DATE OF THE AGREEMENT

26 June 2007

PARTIES TO THE AGREEMENT

Purchaser: Deluxe Mind Investments Limited

Vendor: Cheong Ko Investment Company Limited (a wholly-owned subsidiary of the Company)

Agent: Midland Realty (Shops) Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. As far as the Directors are aware, the Purchaser is an investment holding company.

THE PROPERTY

The Property is located at Ground Floor, No. 31 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Property consists of the premises on the ground floor and cockloft. The Vendor shall sell and the Purchaser shall acquire the Property on an "as is" basis.

The Property was the subject of a tenancy which attracted annual rental of HK\$2,392,000 and HK\$2,175,384 for the two financial years ended 31 March 2007 and 31 March 2006 respectively. Such tenancy expired on 1 June 2007. The Property is now vacant and is not the subject of any mortgage.

CONSIDERATION

The consideration for the Disposal is HK\$92,800,000. An initial deposit amounting to HK\$2,800,000 has been paid to the Vendor upon signing of the Agreement. Further deposit of HK\$6,480,000 will be paid to the Vendor upon signing of the formal sale and purchase agreement which will be on or before 16 July 2007. As at the Latest Practicable Date, no formal sale and purchase agreement has been entered into. The remaining balance of HK\$83,520,000 shall be paid by the Purchaser upon Completion, which is expected to be on or before 6 September 2007.

The Consideration has been agreed between the parties based on arm's length negotiations with reference to market price of nearby properties. On the above basis, the Directors consider the terms of the Disposal to be fair and reasonable and in the interests of the Shareholders as a whole.

REASONS FOR DISPOSAL

The Company is an investment holding company and its subsidiaries are principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment and development.

LETTER FROM THE BOARD

With the recent upturn in Hong Kong's property market, the Directors consider that it is now a good opportunity for the Group to dispose of the Property and recognise the profits arising therefrom.

FINANCIAL EFFECT OF THE DISPOSAL

According to the unaudited consolidated financial statements of the Company for the year ended 31 March 2007, the book value of the Property as at 31 March 2007 was HK\$73,600,000. The Disposal would enable the Company to recognise a net gain of approximately HK\$18,820,000, subject to annual audit.

As a result of the Disposal, the consolidated non-current assets of the Company will be reduced by HK\$73,600,000 and the consolidated current assets of the Company will be increased by approximately HK\$92,420,000, being cash to be deposited in bank. The Disposal will have no impact on the consolidated liabilities of the Company. The net proceeds from the Disposal will be used for working capital purposes.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Easyknit International Holdings Limited
Tse Wing Chiu, Ricky
President and Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which 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 or short positions which any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

A. Interests in the Company

Name of Director	Nature of interest	Number of ordinary Shares (long position)	Approximate percentage of interest
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	291,794,804	36.74%

Note: These Shares 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 Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

B. Interests in associated corporations

1. *Easyknit Enterprises Holdings Limited*

Name of Director	Nature of interest	Number of ordinary shares (long position)	Approximate percentage of interest
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	1,410,852,520	35.93%

Note: These shares 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 Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

2. *Wellmake Investments Limited (“Wellmake”) (Note a)*

Name of Director	Nature of interest	Number of non-voting deferred shares (long position)	Approximate percentage of interest
Lui Yuk Chu	<i>(Note b)</i>	2	100%

Notes:

- (a) All the issued ordinary shares in the share capital of Wellmake which carry voting rights were held by the Company.
- (b) One non-voting deferred share was held by Ms. Lui Yuk Chu as beneficial owner and the other one was held by her spouse, Mr. Koon Wing Yee.

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

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 persons (“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 of the Company which would fall to be disclosed to the Company under the provision 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 are set out below:

Name of Substantial Shareholder	Nature of interest	Number of ordinary Shares (long position)	Approximate percentage of interest
Koon Wing Yee (<i>Note a</i>)	Interest of spouse	291,794,804	36.74%
Magical Profits Limited (<i>Notes a & b</i>)	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited (<i>Notes a & b</i>)	Interest of controlled corporation	291,794,804	36.74%
Hang Seng Bank Trustee International Limited (<i>Notes a & c</i>)	Trustee	291,794,804	36.74%
Hang Seng Bank Limited (<i>Note c</i>)	Interest of controlled corporation	291,794,804	36.74%
The Hongkong and Shanghai Banking Corporation Limited (<i>Notes c & d</i>)	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings BV (<i>Note d</i>)	Interest of controlled corporation	291,794,809	36.74%
HSBC Asia Holdings (UK) (<i>Note d</i>)	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings BV (<i>Note d</i>)	Interest of controlled corporation	291,794,809	36.74%
HSBC Finance (Netherlands) (<i>Note d</i>)	Interest of controlled corporation	291,794,809	36.74%
HSBC Holdings plc (<i>Note d</i>)	Interest of controlled corporation	291,794,809	36.74%

Notes:

- (a) The 291,794,804 Shares relate to the same block of Shares. These Shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was a wholly-owned subsidiary of Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu was deemed to be interested in the 291,794,804 Shares by virtue of the SFO.

- (b) Ms. Lui Yuk Chu, being a Director, is also a director of Magical Profits Limited and Accumulate More Profits Limited.
- (c) Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited. Hang Seng Bank Limited was owned as to approximately 62.14% by The Hongkong and Shanghai Banking Corporation Limited.
- (d) The 291,794,809 Shares relate to the same block of Shares. Out of the 291,794,809 Shares, 291,794,804 Shares were registered in the name of and were beneficially owned by Magical Profits Limited. The remaining 5 Shares were held by HSBC Broking Securities (Asia) Limited, which was a wholly-owned subsidiary of HSBC Broking Services (Asia) Limited which in turn was wholly-owned by The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV which was a wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) was wholly-owned by HSBC Holdings BV which in turn was wholly-owned by HSBC Finance (Netherlands). HSBC Finance (Netherlands) was a wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons who had an interest or short position in the Shares or underlying shares of the Company 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.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor, any of its subsidiaries was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their 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.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contracts with any member of the Group, save for the contracts which will expire or are terminable by the Group within one year without payment of compensation, other than statutory compensation.

7. MISCELLANEOUS

- (a) The secretary of the Company is Chan Po Cheung, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (b) The qualified accountant of the Company is Chan Po Cheung, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (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, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular, shall prevail over the Chinese text in the case of inconsistency.