

---

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

---

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a 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 to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**EASYKNIT INTERNATIONAL HOLDINGS LIMITED**

**永義國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1218)**

**DISCLOSEABLE TRANSACTIONS**

---

\* *For identification only*

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	3
<b>APPENDIX — GENERAL INFORMATION</b> .....	7

---

## DEFINITIONS

---

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

“Announcement”	the announcement of the Company dated 29 January 2008 concerning the Investments and the Disposals
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Railway”	China Railway Group Limited, whose shares are listed on the main board of the Stock Exchange (Stock code: 390)
“China Railway Shares”	shares of RMB1.00 each in the share capital of China Railway which are listed on the Stock Exchange and traded in Hong Kong dollars
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Disposals”	the disposal by the Company through the market of an aggregate of 1,421,000 China Railway Shares on 20 December 2007 and 11 January 2008
“Further Investments/Disposals”	further investments by the Company in, or disposals by it of, China Railway Shares as the case may be
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Investments”	the investments by the Company by acquisition from the market of an aggregate of 2,521,000 China Railway Shares during the period from 3 December 2007 to 21 January 2008
“Latest Practicable Date”	13 February 2008, 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
“RMB”	Renminbi, the lawful currency of the People’s Republic of China

---

## DEFINITIONS

---

“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

---

## 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. Kwong Jimmy Cheung Tim

(President & Chief Executive Officer)

Ms. Lui Yuk Chu (Vice President)

*Non-executive Director:*

Mr. Tse Wing Chiu, Ricky

*Independent Non-executive Directors:*

Mr. Wong Sui Wah, Michael

Mr. Tsui Chun Kong

Mr. Jong Koon Sang

*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

15 February 2008

*To the Shareholders,*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTIONS

### INTRODUCTION

The Company made the Announcement about the Investments and the Disposals. This circular gives the Shareholders further information about the Investments and the Disposals required under the Listing Rules.

### THE INVESTMENTS

Between 3 December 2007 to 21 January 2008, the Company, through its wholly-owned subsidiary, acquired from the market an aggregate of 2,521,000 China Railway Shares (representing approximately 0.0118% of the issued share capital of China Railway, based on its issued share capital of 21,299,900,000 China Railway Shares announced by China Railway on 11 December 2007).

\* For identification only

---

## LETTER FROM THE BOARD

---

The total consideration paid for these 2,521,000 China Railway Shares was HK\$24,049,580 (exclusive of transaction costs) which was satisfied in cash from internal resources of the Company. The consideration for each purchase represented the then market price of the China Railway Shares.

As the aggregate price of the Investments exceeded one of the 5% limits of the “consideration test” together they constituted a discloseable transaction of the Company for the purposes of Rule 14.06(2) of the Listing Rules.

### THE DISPOSALS

On 20 December 2007 and 11 January 2008, the Company, through its wholly-owned subsidiary, disposed through the market of an aggregate of 1,421,000 China Railway Shares (representing approximately 0.0067% of the issued share capital of China Railway, based on its issued share capital of 21,299,900,000 shares announced by China Railway on 11 December 2007). The total consideration received for these 1,421,000 China Railway Shares was HK\$13,294,519 (exclusive of transaction costs). The consideration for each disposal represented the then market prices of the China Railway Shares. The Group is expected to record a gain (unaudited) of approximately HK\$804,000 from the Disposals and such gain will be used in the Group’s general working capital.

As the aggregate value of the Disposals exceeded one of the 5% limits of the “consideration test” they constituted a discloseable transaction of the Company for the purposes of Rule 14.06(2) of the Listing Rules.

### REASONS FOR THE INVESTMENTS/DISPOSALS

The Company principal businesses are in garment sourcing and export, property investments and development, investment in securities and loan financing.

The Directors of the Company consider that the Investments and Disposals could enhance the returns on cash for the Company. The source of funding for the Investments was internal cash resources of the Company. Taking into account the track record of China Railway, the Company considered that the Investments had potential. The Disposals were made in light of uncertain market conditions. The Investments were purchased and the Disposals were made at market prices and the Board (including the independent non-executive Directors) believes that the Investments and the Disposals were fair and reasonable and in the interests of the shareholders of the Company as a whole.

### CURRENT HOLDING

The Company now holds a total of 1,100,000 China Railway Shares (representing approximately 0.0051% of the issued share capital of China Railway, based on its issued share capital of 21,299,900,000 shares announced by China Railway on 11 December 2007) at an average acquisition price of approximately HK\$10.55 per China Railway Share (exclusive of transaction costs). The remaining Investments of 1,100,000 China Railway Shares will be booked as short term investments by the Company.

---

## LETTER FROM THE BOARD

---

### EFFECT ON EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

As the Investments are solely funded by internal cash resources of the Group, no additional liabilities will arise as a result solely for the Investments. There will also be no change in the assets level of the Group as the decrease in cash and bank balances are offset by corresponding increase in Investments. The Investments will not have any immediate effect on the earnings of the Group.

The Disposals will enable the Group to recognise a gain of approximately HK\$804,000 subject to annual audit. As a result of the Disposals, the assets level of the Group will be increased by HK\$804,000. The Disposals will have no impact on the consolidated liabilities of the Group.

### INFORMATION ON CHINA RAILWAY

China Railway is a company incorporated in the PRC with limited liability and its shares are listed on the main board of the Stock Exchange. According to information published by it, China Railway holds the largest integrated construction group in the PRC and in Asia and offers a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing.

According to an illustrative statement of unaudited pro forma adjusted net tangible assets attributable to the equity holders of China Railway prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of a global offering of China Railway Shares as if it had taken place on 30 June 2007, and based on the net tangible assets attributable to equity holders of China Railway as at 30 June 2007, set out in its prospectus dated 23 November 2007 and adjusted as described in that prospectus the unaudited net tangible assets attributable to the equity holders of China Railway was RMB21,909 million. On this basis:

- (a) the unaudited net tangible assets of China Railway attributable to the aggregate 2,521,000 China Railway Shares in the total Investments is approximately RMB2.585 million;
- (b) the unaudited net tangible assets of China Railway attributable to the 1,100,000 China Railway Shares now held by the Company is approximately RMB1.117 million; and
- (c) the unaudited net tangible assets of China Railway attributable to the aggregate 1,421,000 China Railway Shares in the two Disposals is approximately RMB1.468 million.

According to the same prospectus, China Railway's total revenue was RMB153.6 billion for the year ended 31 December 2006 and RMB72.5 billion for the six months ended 30 June 2007, and profit attributable to the equity holders of China Railway for the same periods was RMB2,046 million and RMB643 million respectively. For the year ended 31 December 2005 and 31 December 2006, China Railway's published profit before taxation was RMB750 million and RMB3,387 million respectively, while its published profit after taxation and extraordinary items and before minority interests was RMB460 million and RMB2,739 million respectively.

---

## LETTER FROM THE BOARD

---

### GENERAL

As the Investments and the Disposals were made through the market, the Company is not aware of the identities of the vendors or the buyers of the China Railway Shares and, to the best of the knowledge of the Directors having made all reasonable enquiries, the vendors in the Investments in and the buyers in the Disposals of China Railway Shares are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company, its subsidiaries and their respective associates.

If Further Investments/Disposals are made that when aggregated with the Investments or Disposals, as the case may be, constitute a major or other type of notifiable transaction under the Listing Rules, the Company will comply with the relevant requirements of the Listing Rules.

Set out in the Appendix is general information about the Company.

Yours faithfully,  
For and on behalf of  
**Easyknit International Holdings Limited**  
**Kwong Jimmy Cheung Tim**  
*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 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 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 interest
Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	2,116,278,780	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 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 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 &amp; b</i> )	Beneficial owner	291,794,804	36.74%
Accumulate More Profits Limited ( <i>Notes a &amp; b</i> )	Interest of controlled corporation	291,794,804	36.74%
Hang Seng Bank Trustee International Limited ( <i>Notes a &amp; 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 &amp; 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 Tricor 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.