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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 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.

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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 otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Company”	Easyknit International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Disposal”	the disposal by the Company on the market of 1,000,000 ICBC Shares on 9 December 2008
“Further Disposals”	further disposals by the Company of ICBC Shares after 9 December 2008
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region
“ICBC”	Industrial and Commercial Bank of China Limited, a company the shares of which are listed on the main board of the Stock Exchange (Stock code: 1398)
“ICBC Shares”	overseas listed foreign shares of RMB1.00 each in the share capital of ICBC which are listed on the Stock Exchange and traded in Hong Kong dollars
“Latest Practicable Date”	18 December 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
“Previous Disposal”	the disposal by the Company on the Stock Exchange of an aggregate of 2,298,000 ICBC Shares on 18 June 2008
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this circular, translations of RMB into HK\$ are made at a rate of RMB1.00 to HK\$0.88.

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)*

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Non-executive Director:

Mr. Tse Wing Chiu, Ricky

*Head Office and Principal Place of Business
in Hong Kong:*

Independent Non-executive Directors:

Mr. Tsui Chun Kong
Mr. Jong Koon Sang
Mr. Hon Tam Chun

Unit A, 7th Floor
Hong Kong Spinners Building
Phase 6, 481-483 Castle Peak Road
Cheung Sha Wan
Kowloon, Hong Kong

23 December 2008

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

The Company made an announcement about the Disposal on 10 December 2008. This circular gives the Shareholders of the Company further information about the Disposal required under the Listing Rules.

THE DISPOSAL

Further to the announcement of the Company dated 20 June 2008 in relation to the Previous Disposal, the Company on 9 December 2008, through its wholly-owned subsidiary, disposed on the market of 1,000,000 ICBC Shares (which together with the Previous Disposal of 2,298,000 ICBC Shares represented approximately 0.00098% of the issued share capital of ICBC based on its issued

* For identification only

LETTER FROM THE BOARD

share capital of 334,019,000,000 shares on 30 September 2008 as shown in the 2008 third quarter report of ICBC dated 24 October 2008). The aggregate gross sale proceeds of the Disposal were HK\$4,310,000 which were received in cash. The consideration received by the Company represented the then market price of ICBC Shares. As a result of the Disposal, the Company will recognise a gain of approximately HK\$90,000 calculated on the basis of the difference between the acquisition price and the disposal price exclusive of transaction costs.

As the Disposal was made through the market, the Company is not aware of the identities of the buyers of the ICBC Shares and accordingly, to the best of the knowledge of the Directors having made all reasonable enquiries, the purchasers of the ICBC 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.

REASONS FOR THE DISPOSAL

The Company carries on the principal businesses of garment sourcing and export, property investment, investment in securities and loan financing.

The Directors of the Company consider that the Disposal will enhance the cash balances of the Company. The ICBC Shares were sold at market price and the Board believed that the Disposal was fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company intends to use the net proceeds as the general working capital of the Group.

EFFECT ON EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

The Disposal will increase of the amount of cash of the Group by the amount of gross sale proceeds received from the Disposal. The Disposal will have no impact on the consolidated liabilities and no material impact on the earnings of the Group.

INFORMATION ON ICBC

ICBC is a joint stock company incorporated in the People's Republic of China with limited liability and listed on the main board of the Stock Exchange. Based on its company profile accessed through the website of the Stock Exchange, ICBC is principally engaged in provision of an extensive range of commercial banking products and services.

Further information on ICBC can be found on the Stock Exchange website. Based on the 2008 third quarter report of ICBC, the unaudited net asset value of ICBC as at 30 September 2008 was RMB585,243 million (equivalent to approximately HK\$515,014 million), while the unaudited net asset value of ICBC attributed to the Disposal and the Previous Disposal was approximately RMB5,735,400 (equivalent to approximately HK\$5,047,152). According to the annual reports of ICBC for the two years ended 31 December 2006 and 31 December 2007, its net profits from ordinary activities (before and after taxation) for the year ended 31 December 2006 were RMB72,065 million (approximately HK\$63,417 million) and RMB49,880 million (approximately HK\$43,894 million) respectively and for the year ended 31 December 2007 were RMB115,378 million (approximately HK\$101,533 million) and RMB82,254 million (approximately HK\$72,384 million) respectively.

LETTER FROM THE BOARD

GENERAL

The consideration ratio under Rule 14.07 of the Listing Rules in respect of (i) the Disposal alone and (ii) when aggregated with the Previous Disposal exceeds 5% but is less than 25%. Accordingly, the Disposal both in isolation constitutes and when aggregated with the Previous Disposal constitutes a discloseable transaction of the Company for the purposes of Rule 14.06(2) of the Listing Rules. This circular is made pursuant to the Listing Rules in respect of the Disposal and having considered the Previous Disposal.

To the extent that any Further Disposals after 9 December 2008 alone or when aggregated constitute a discloseable transaction, the Company will comply with the relevant disclosure requirements for discloseable transactions under the Listing Rules. In addition, if any Further Disposals when aggregated with the Disposal and the Previous Disposal pursuant to the Listing Rules exceed the threshold for a major transaction or a very substantial acquisition, the Company will comply with the relevant requirements under the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the general information about the Company set out in the appendix to this circular.

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 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

Easyknit Enterprises Holdings Limited

1. Interests in issued shares

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	21,162,787	31.70%

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. Interests in unissued shares

Name of Director	Nature of interest	Number of unissued ordinary shares (long position)
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	211,627,870

Note: These 211,627,870 shares are the rights shares which Landmark Profits Limited, a wholly-owned subsidiary of the Company, has undertaken to accept in respect of its pro rata entitlement under the proposed rights issue as disclosed in the Company's announcement dated 12 November 2008 and 3 December 2008 and the circular dated 8 December 2008. 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).

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 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 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 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>Note a</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 of the Company, is also a director of Magical 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 were 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 claim 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 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.