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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

**Full acceptance of provisional allotment
under the 2 for 1 Rights Issue of Easyknit Enterprises**

* For identification only

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DEFINITIONS

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

| | |
|---------------------------|--|
| “Announcement” | the announcement of the Company dated 17 December 2007 in relation to the full acceptance by the Company of its provisional allotment under the Rights Issue |
| “associate(s)” | the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “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 |
| “Easyknit Enterprises” | Easyknit Enterprises Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region |
| “Landmark Profits” | Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company, is a 35.9% controlling shareholder of Easyknit Enterprises |
| “Latest Practicable Date” | 4 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Last Trading Day” | 28 November 2007, being the last trading day before the suspension of the trading in the shares of Easyknit Enterprises pending the issue of the announcement of Easyknit Enterprises dated 6 December 2007 |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Record Date” | 28 December 2007 |
| “Rights Issue” | the issue by way of rights of one Rights Share for every two shares of Easyknit Enterprises held on the Record Date at a price of HK\$0.052 per Rights Share |

DEFINITIONS

| | |
|--------------------------|---|
| “Rights Share(s)” | 1,963,537,620 share(s) of Easyknit Enterprises to be issued and allotted under the Rights Issue |
| “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 Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Underwriter” | Kingston Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company or of Easyknit Enterprises |
| “Underwriting Agreement” | the underwriting agreement dated 29 November 2007 entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue |

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:

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

Independent Non-executive Directors:

Mr. Wong Sui Wah, Michael
Mr. Tsui Chun Kong
Mr. Jong Koon Sang

7 January 2008

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
Full acceptance of provisional allotment
under the 2 for 1 Rights Issue of Easyknit Enterprises

INTRODUCTION

The Company made the Announcement about the proposed Rights Issue of Easyknit Enterprises. This Circular gives the Shareholders further information about the Rights Issue required under the Listing Rules.

PROPOSED RIGHTS ISSUE

The board of Easyknit Enterprises announced on 6 December 2007 that it proposes to raise approximately HK\$102.1 million before expenses by way of the Rights Issue of 1,963,537,620 Rights Shares at a price of HK\$0.052 per Rights Share payable in full on acceptance. Further details in relation to the Rights Issue have been set out in the announcement of Easyknit Enterprises dated 6 December 2007.

LETTER FROM THE BOARD

UNDERTAKING AND UNDERWRITING ARRANGEMENT

As at the Latest Practicable Date, the Company, through Landmark Profits, was interested in 1,410,852,520 shares of Easyknit Enterprises, representing approximately 35.9% of the total issued share capital of Easyknit Enterprises. Landmark Profits has irrevocably undertaken to Easyknit Enterprises and the Underwriter that the shares of Easyknit Enterprises beneficially owned by it will not be disposed of or transferred from the date of the undertaking, being the date of the Underwriting Agreement, to the Record Date and that the Rights Shares to be allotted in respect of those shares of Easyknit Enterprises will be taken up in full, representing 705,426,260 Rights Shares. On the basis of HK\$0.052 per Rights Share, the total consideration to be paid by the Company through Landmark Profits for the 705,426,260 Rights Shares amounts to HK\$36,682,165.52 and will be satisfied by payment in cash from internal resources of the Company. Landmark Profits will not apply for any excess Rights Shares under the Rights Issue.

The Underwriting Agreement was entered into between Easyknit Enterprises and the Underwriter pursuant to which the Underwriter has agreed to fully underwrite the 1,258,111,360 Rights Shares (being all the 1,963,537,620 Rights Shares under the Rights Issue less the 705,426,260 Rights Shares to be issued to and accepted by Landmark Profits). The Underwriter and its ultimate controlling shareholder do not have any shareholdings in either the Company or Easyknit Enterprises and each is an independent third party not connected with the Company, Easyknit Enterprises, the directors, chief executive or substantial shareholders of the Company or Easyknit Enterprises or any of their respective subsidiaries and associates. Further details in relation to the Underwriter Agreement have been set out in the announcement of Easyknit Enterprises dated 6 December 2007.

REASONS FOR FULL ACCEPTANCE OF THE RIGHTS ISSUE

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

The Directors consider that the full acceptance by the Company of its provisional allotment under the Rights Issue will allow the Company, through Landmark Profits, to maintain its pro rata shareholding in Easyknit Enterprises. On this basis, the Directors consider that it is fair and reasonable and in the interests of the shareholders of the Company as a whole.

EFFECT ON EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

There will not be any significant impact on the earnings and assets and liabilities of the Group immediately following the full acceptance by the Company of its provisional allotment under the Rights Issue as the increase in the 705,426,260 Rights Shares at a total consideration of HK\$36,682,165.52 booked in the interests in associates account of the Group will be offset by the decrease in cash and bank balances.

LETTER FROM THE BOARD

INFORMATION ON EASYKNIT ENTERPRISES

Easyknit Enterprises and its subsidiaries are principally engaged in the bleaching and dyeing and knitting business.

Based on the interim report of Easyknit Enterprises for the six months ended 30 September 2007, the unaudited net asset value of Easyknit Enterprises and its subsidiaries was approximately HK\$158,646,000. The net asset value per share in the share capital of Easyknit Enterprises based on this unaudited net asset value and 3,927,075,240 shares of Easyknit Enterprises in issue as at 30 September 2007 was HK\$0.040. The closing price per share in the share capital of Easyknit Enterprises as quoted on the Stock Exchange on the Last Trading Day was HK\$0.087.

According to the annual report of Easyknit Enterprises for the year ended 31 March 2007, the Group's net loss (before and after taxation and extraordinary items) were approximately HK\$9,909,000 and HK\$11,481,000 respectively. According to the annual report of Easyknit Enterprises for the year ended 31 March 2006, the Group's net loss (before and after taxation and extraordinary items) was approximately HK\$32,857,000.

GENERAL

As the amount of consideration of HK\$36,682,165.52 to be paid by the Company through Landmark Profits for the 705,426,260 Rights Shares under the provisional allotment of the Rights Issue exceeds 5% but is less than 25% of one of the applicable ratios of the Company under the Listing Rules, the transaction constitutes a discloseable transaction of the Company under rule 14.06(2) 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

** For identification only*

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

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 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 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.