
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.

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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)****POSSIBLE MAJOR TRANSACTION**

A notice convening the SGM of Easyknit International Holdings Limited 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 3 September 2009 at 10:00 a.m. is set out on pages 22 to 23 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the principal place of business of the Company 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 but in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

* 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
“Company”	Easyknit International Holdings Limited (永義國際集團有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	31 July 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	the meaning ascribed thereto in Chapter 14 of the Listing Rules
“Property”	G/F shop together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kowloon
“Possible Disposal”	the possible disposal of the Property by Wellmake Investments
“Sale and Purchase Agreement”	a formal sale and purchase agreement for the disposal of the Property to be entered into between Wellmake Investments and the Urban Renewal Authority
“Scheme”	Kwun Tong Town Centre Development Scheme, a scheme of the Urban Renewal Authority
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Possible Disposal

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Urban Renewal Authority”	a body corporate established under and by virtue of the Urban Renewal Authority Ordinance (Cap. 563 of the Laws of Hong Kong)
“Wellmake Investments”	Wellmake Investments 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. 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. Tsui Chun Kong

Mr. Jong Koon Sang

Mr. Hon Tam Chun

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

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

5 August 2009

To the Shareholders,

Dear Sir or Madam,

POSSIBLE MAJOR TRANSACTION

INTRODUCTION

The Company made an announcement on 15 July 2009 in respect of its plan to dispose of the Property, details of which are set out below in this circular.

The purpose of this circular is to set out details of the Possible Disposal and a notice convening the SGM at which a resolution will be proposed to Shareholders to consider and, if thought fit, approve the Possible Disposal.

* *For identification only*

LETTER FROM THE BOARD

POSSIBLE DISPOSAL OF PROPERTY

Wellmake Investments, a property holding company which is a wholly-owned subsidiary of the Company, plans to dispose of the Property.

On 29 December 2008, Wellmake Investments received from the Urban Renewal Authority an offer to purchase the Property at the price of HK\$47,113,000 plus an allowance of HK\$4,711,000 (the "Allowance") payable to Wellmake Investments for acquisition of the Property under the Kwun Tong Town Centre Development Scheme, a scheme of the Urban Renewal Authority (collectively the "Offer"). The permitted use in the occupation permit and the actual use in respect of the Property is non-domestic. The Urban Renewal Authority has informed Wellmake Investments that it has adopted the highest of the three valuations of non-domestic properties as the market value of the Property. To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, the Urban Renewal Authority is an Independent Third Party.

On 7 April 2009, Wellmake Investments accepted the Offer subject to contract. The Directors are seeking the requisite approval of Shareholders to effect the Possible Disposal, subject to contract.

As at the Latest Practicable Date, the Sale and Purchase Agreement and the agreement relating to the payment of the Allowance have not been entered into. However, the Directors are of the view that the terms of the Sale and Purchase Agreement and the agreement relating to the payment of the Allowance are finalised as at the Latest Practicable Date.

Wellmake Investments plans to enter into the Sale and Purchase Agreement and the agreement relating to the payment of the Allowance with the Urban Renewal Authority as soon as the requisite approval of Shareholders to effect the Possible Disposal has been obtained.

Under the Sale and Purchase Agreement, the purchase price of the Property being HK\$47,113,000 will be paid in the following manner:

- (a) HK\$4,711,300 being deposits payable by the Urban Renewal Authority to Wellmake Investments' solicitors as stakeholders on the signing of the Sale and Purchase Agreement which shall only be released to Wellmake Investments after it shall have been shown to the satisfaction of the Urban Renewal Authority's solicitors that the balance of purchase price of the Property together with any amount payable by the Urban Renewal Authority to Wellmake Investments is greater than or equal to the amount (if any) required for the release and discharge of the Property from the existing charge affecting the Property;
- (b) HK\$10,835,900 being part payment of the purchase price of the Property payable by the Urban Renewal Authority to Wellmake Investments' solicitors as stakeholders on the signing of the Sale and Purchase Agreement which shall only be released to Wellmake Investments after it shall have been shown to the satisfaction of the Urban Renewal Authority's solicitors that the balance of the purchase price of the Property together with any amount payable by the Urban Renewal Authority to Wellmake Investments on completion (if any) is greater than or equal to the amount (if any) required for the release and discharge of the Property from the existing charge affecting the Property; and

LETTER FROM THE BOARD

- (c) HK\$31,565,800 being the balance of the purchase price of the Property payable by the Urban Renewal Authority to Wellmake Investment upon completion of the Sale and Purchase Agreement.

Although the Sale and Purchase Agreement suggests that the Property is subject to a charge, it is not currently subject to a charge.

Under the agreement relating to the payment of the Allowance, the Allowance will be payable to Wellmake Investments in one lump sum immediately after the completion of sale and purchase of the Property in accordance with the Sale and Purchase Agreement.

The Property is the subject of a tenancy which attached annual rental of HK\$1,730,140.00 for the financial year ended 31 March 2008, and an annual rental of HK\$1,856,611.71 for the financial year ended 31 March 2009. The audited net asset value of the Property as at 31 March 2008 based on its audited financial statements of Wellmake Investments for the year ended 31 March 2008 was HK\$52,500,000. Based on the unaudited net asset value of the Property as at 31 March 2009 which was HK\$48,900,000, the Possible Disposal would enable the Group to recognise a gain of HK\$2,924,000 (before selling expenses). The Group intends to use the proceeds of the disposal for general working capital.

REASONS FOR AND BENEFITS OF THE POSSIBLE DISPOSAL

The disposal of the Property if it takes place will allow the Group to enhance its cash balance and enable the Group to invest its cash in other properties to generate higher return.

The Directors are of the opinion that the terms of the Proposed Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Possible Disposal (if it takes place) exceed 25% but are less than 75%, the Possible Disposal constitutes a major transaction for the purposes of Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

INFORMATION ON THE GROUP, WELLMAKE INVESTMENTS AND THE URBAN RENEWAL AUTHORITY

The Group is principally engaged in the business of garment sourcing and export, property investments and development, investment in securities and loan financing. Wellmake Investments is a property holding company which is a wholly-owned subsidiary of the Company. Wellmake Investments is principally engaged in the business of property investment. The principal business activities of the Urban Renewal Authority based on the information available in its website are, among other things, to accelerate redevelopment by replacing old buildings with new to provide a better living environment and neighbourhood and to enable and encourage the rehabilitation of dilapidated buildings to prevent urban decay.

LETTER FROM THE BOARD

EFFECTS ON EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Possible Disposal would enable the Group to recognise a disposal gain of HK\$2,924,000 (before selling expenses) and a deferred taxation credit of approximately HK\$584,000, subject to annual audit.

As the Property is subject to a tenancy agreement which expires on 20 November 2010, the Group will stop to receive rental income of HK\$172,700 per month (exclusive of rates), upon completion of disposal of the Property.

As a result of the Possible Disposal, the consolidated non-current assets of the Group will be reduced by HK\$48,900,000, being the unaudited net asset value of the Property as at 31 March 2009, the consolidated current assets of the Group will be increased by approximately HK\$51,824,000, being cash in respect of the purchase price of the Property and the Allowance to be deposited in bank, and the consolidated non-current liabilities of the Group will be reduced by approximately HK\$584,000, being the release of deferred taxation liabilities of the Property upon the disposal.

GENERAL

If there is any material variation of the terms of the Sale and Purchase Agreement and the agreement relating to the payment of the Allowance, the Company will comply with the relevant requirements under the Listing Rules.

SGM

The notice of the SGM is set out on pages 22 to 23 of this circular. A form of proxy for use at the SGM is enclosed. At the SGM, a resolution will be proposed for Shareholders to consider and, if thought fit, to approve the Possible Disposal.

Whether or not Shareholders are able to attend the SGM, Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at Unit A, 7th Floor, Hong Kong Spinners Building, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM should Shareholders so wish.

No Shareholder has any material interest in the Possible Disposal. Therefore, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Possible Disposal.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the Possible Disposal are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Possible Disposal.

ADDITIONAL INFORMATION

Your attention is drawn to the notice of the SGM and the additional information set out in the appendices to this circular.

For and on behalf of
Easyknit International Holdings Limited
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

1. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the proceeds from the Possible Disposal, the present available financial resources and the present available banking facilities of the Group, the Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular in the absence of unforeseen circumstances.

2. INDEBTEDNESS

At the close of business on 30 June 2009, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had no outstanding borrowings. Its available banking facilities were guaranteed by the Company.

Apart from intra-group liabilities, the Group did not have at the close of business on 30 June 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP

During the year ended 31 March 2009, the Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment and development.

For the year ended 31 March 2009, the Group recorded a turnover of approximately HK\$458,068,000 (2008: approximately HK\$521,339,000), representing a decrease of approximately 12.1% from last year. Gross profit decreased approximately 13.4% to approximately HK\$84,156,000 (2008: approximately HK\$97,198,000). Gross profit margin slightly decrease at approximately 18.4% (2008: approximately 18.6%).

Loss attributable to shareholders was approximately HK\$101,384,000 as compared to profit attributable to shareholders of approximately HK\$64,336,000 last year. Such loss was mainly attributable to (i) a decrease in sales of the garment sourcing and exporting business due to the slowdown in the economy of the United States, the major market of the Group; (ii) the loss arising on change in fair value of investment properties of approximately HK\$21,760,000 and the impairment loss on property held for development of approximately HK\$25,632,000; (iii) the loss due to the fair value change of investments held for trading of approximately HK\$60,408,000; and (iv) the increase in share of loss of associate.

Garment sourcing and exporting

During the year under review, garment sourcing and exporting continued to be the principal business of the Group and contributed approximately 93.3% to the Group's total turnover, representing a drop of approximately 0.3% as compared to that of last year (2008: approximately 93.6%). Turnover from this segment decreased by approximately 12.4% to approximately

HK\$427,428,000 (2008: approximately HK\$487,806,000). This segment recorded a profit of approximately HK\$11,788,000, a decrease of approximately 51.2% from last year's profit of approximately HK\$24,133,000. The product mix of infant wear and ladies wear changed from 35 : 45 for the year ended 31 March 2008 to 37 : 43 for the year under review.

The economic slowdown caused the garment industries in the US and Europe to shrink drastically. The Group anticipates that the garment sourcing and export industry will continue to face stern challenges as the business environment is still shadowed by various uncertainties.

Recognising the challenges ahead in the garment sourcing and export industry, the Group maintains a cautious yet hopeful view towards the future development of the industry. The Group will concentrate its efforts on maintaining good customer relationship with existing clients, sharpening its competitive edges, as well as exploring other possible overseas markets in the hope of broadening the Group's sales network for the Group in the coming year. More stringent cost-control measures and flexible pricing strategy will also be implemented to maximise profit for the Group.

Property investment and development

For the year ended 31 March 2009, the property investment and development segments contributed approximately HK\$30,640,000 or 6.7% (2008: approximately HK\$33,533,000 or 6.4%) to the Group's total turnover. These segments suffered a loss of approximately HK\$20,792,000 (2008: profit of approximately HK\$79,575,000) principally due to loss arising on change in fair value of investment properties of approximately HK\$21,760,000 (2008: gain of approximately HK\$52,928,000) and impairment loss made on properties held for development of approximately HK\$25,632,000 (2008: nil). Rental income from investment properties, which are all located in Hong Kong, increased slightly to approximately HK\$28,166,000 (2008: approximately HK\$27,164,000). As at 31 March 2009, the Group's commercial rental properties were 100% leased. Its industrial rental properties continued to maintain a high occupancy rate of approximately 89.6%. The building management fee income was approximately HK\$286,000 (2008: approximately HK\$289,000).

The Group completed the acquisition of 11 out of the 12 units in the building situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) ("Prince Edward Road Building") in October 2008. The Group also entered into a sale and purchase agreement to purchase the remaining one unit of the Prince Edward Road Building on 30 June 2009 so as to be the owner of the whole building for re-development purpose. These acquisitions enable the Group to expand its property investment portfolio and provide the Group with further potential income from property development.

As at 31 March 2009, the Group's entire property portfolio stood over approximately HK\$825,124,000 (as at 31 March 2008: approximately HK\$747,089,000).

The local property market seemed to improve in the previous months. Looking ahead, the Group believes that the local property will be undergoing a period of modulation and consolidation, and the directors of the Company hold a watchfully positive attitude towards the property market.

Although the demand for offices in Hong Kong has plunged after the global financial crisis, other industrial and commercial properties still secure support from users and investors as retailers fight for the limited space available in prime shopping areas. The Group is vigilantly observing market sentiment for the re-development of properties in its portfolio when suitable opportunities arise. The Group will also be on the lookout for properties with high re-development potential and seek rewarding investment opportunities to strive for the greatest return to shareholders.

4. MATERIAL ADVERSE CHANGE

Save as referred to in the profit warning announcement of the Company dated 10 July 2009, the Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 31 March 2009, being the date to which the latest published audited accounts of the Group were made up.

The following is the text of a letter and valuation prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent property valuer, in connection with their valuation of the property as at 30 June 2009.



4/F., Shui On Centre
6-8 Harbour Road
Wan Chai, Hong Kong

5 August 2009

The Directors
Easyknit International Holdings Limited
7/F., Hong Kong Spinners Building, Phase 6
481-483 Castle Peak Road
Cheung Sha Wan
Kowloon

Dear Sirs

Ground Floor shop together with open yard at rear thereof and the exterior walls of the said shop and yard, No 8 Yue Man Square, Kwun Tong, Kowloon (“the property”)

In accordance with your instructions for us to value the property held by a wholly-owned subsidiary of Easyknit International Holdings Limited (the “Company”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market value of the property as at 30 June 2009 for the purpose of inclusion in a public circular.

Basis of Valuation

Our valuation is our opinion of the market value of the property which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Valuation Methodology

We have valued the property by “Direct Comparison Approach” with reference to market sales transactions and where appropriate by capitalizing the net income shown on the schedules handed to us with due provision for the reversionary income potential of the property.

Valuation Considerations

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, floor area and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation.

We have caused searches to be made at the Land Registry. However, we have not scrutinised the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the property valued. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, title defects and outgoings of any onerous nature which could affect its value.

In undertaking the valuation, we have regarded to the requirements contained in the “HKIS Valuation Standards on Properties (First Edition 2005)” issued by the Hong Kong Institute of Surveyors.

We enclose herewith our valuation.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Alex S L Ng
MRICS MHKIS RPS(GP)
Executive Director

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Catherine Cheung
MRICS MHKIS RPS (GP)
Director

Encl.

Note: Mr. Alex S L Ng has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has 23 years' experience in the valuation of properties in Hong Kong.

Ms. Catherine Cheung is a member of the Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors and has extensive valuation experience in Hong Kong.

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009
Ground Floor shop together with open yard at rear thereof and the exterior walls of the said shop and yard, No 8 Yue Man Square, Kwun Tong, Kowloon	The property comprises a shop unit on the Ground Floor of an 8-storey composite building completed in about 1965.	The property is subject to a tenancy for a term of two years expiring on 20 November 2010 at a monthly rent of HK\$172,700 exclusive of rates.	HK\$49,100,000
2/16th shares of and in Kwun Tong Inland Lot No 342	The saleable area of the property is approximately 1,100 sq ft plus a yard of approximately 120 sq ft. The property is held under a government lease for a term of 21 years from 1 July 1955 renewed for a further term 21 years less the last 3 days thereof and has been statutorily extended to 30 June 2047. The annual Government rent for the property is an amount equal to 3 per cent of the then rateable value of the property.		

Notes:

- (1) The registered owner of the property is Wellmake Investments Limited, a wholly-owned subsidiary of the Company.
- (2) The property falls within an area zoned "Urban Renewal Authority Development Scheme Plan Area" under Kwun Tong South Outline Zoning Plan No.S/K14S/16 dated 12 September 2008.

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 OF THE DIRECTORS AND CHIEF EXECUTIVES

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 or debentures of the Company or any of 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	232,790,657	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. *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 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. DISCLOSURE OF INTEREST OF THE 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, 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. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company had any direct or indirect interest in any asset which had been, since 31 March 2009, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

8. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the agreement dated 24 June 2008 entered into between Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, and Ng Kwai Tung for the sale and purchase of the entire issued share capital of Trump Elegant Investment Limited for the consideration of HK\$8.3 million with completion took place on 1 September 2008;
- (b) the 11 agreements for the sale and purchase entered into between Trump Elegant Investment Limited, a wholly-owned subsidiary of the Company, and each of the property vendors in relation to the sale and purchase of the properties at Flats 1, 2 and 4 on the Ground Floor, Flats 1, 2, 3 and 4 on the First Floor and Flats 1, 2, 3 and 4 on the Second Floor of Nos. 313, 313A, 313B & 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong (Section B of Kowloon Inland Lot No. 1685);
- (c) the conditional undertaking letter dated 5 November 2008 executed by Landmark Profits Limited (“Landmark Profits”) in favour of Easyknit Enterprises Holdings Limited (“EE”) and Get Nice Securities Limited in relation to the allotment and issue of 667,499,000 new shares (“EE Rights Shares”) under an offer by way of rights to holders of shares in EE at HK\$0.15 per Rights Share in the proportion of ten EE Rights Shares for every share in EE held (“EE Rights Issue”) pursuant to which Landmark Profits has conditionally undertaken, inter alia, that the shares in EE held by it on the date of the undertaking would remain registered in its name as at 4:00 p.m. on the record date of the EE Rights Issue and that the EE Rights Shares to be provisionally allotted to Landmark Profits in respect of such shares in EE (representing 211,627,870 EE Rights Shares) would be taken up and paid for in full by Landmark Profits;

- (d) the sale and purchase agreement dated 30 June 2009, entered into between Trump Elegant Investment Limited and Ip Wai Hung, an individual and an Independent Third Party, in relation to the sale and purchase of the property situated at Flat 3 on the Ground Floor of Nos. 313, 313A, 313B & 313C Prince Edward Road West, Ho Man Tin, Kowloon, Hong Kong (Section B of Kowloon Inland Lot No. 1685);
- (e) the agreement dated 14 July 2009 entered into between Easyknit Properties Holdings Limited, a wholly-owned subsidiary of the Company, and Ng Kwai Tung for the sale and purchase of the entire issued share capital of Kingbest Capital Holdings Limited for the consideration of HK\$2.44 million; and
- (f) the six agreements for the sale and purchase entered into between Kingbest Capital Holdings Limited and each of the property vendors in relation to the sale and purchase of the units in the building situated on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong).

Save as disclosed, none of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this circular that are or may be material.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given its opinion or advice which is contained in this circular:

Name	Qualification
Knight Frank Petty Limited (“Knight Frank”)	Independent Professional Valuer

As at the Latest Practicable Date, Knight Frank does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Knight Frank does not have any direct or indirect interests in any assets which have been, since 31 March 2009 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Knight Frank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which they appear.

10. 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 registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, 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.
- (c) 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.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours 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 from the date of this circular for a period of 14 days:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the valuation report from Knight Frank, the text of which is set out in Appendix II in this circular;
- (c) the letter of consent referred to in the paragraph headed "Expert and Consent" above;
- (d) the annual reports of the Company for each of the two years ended 31 March 2009;
- (e) the material contracts referred to in the section headed "Material Contracts" of this appendix; and
- (f) this circular.

NOTICE OF SGM



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 a special general meeting of Easyknit International Holdings Limited (the “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 3 September 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution with or without amendment:-

ORDINARY RESOLUTION

“**THAT** the formal sale and purchase agreement (“Sale and Purchase Agreement”) for the disposal of G/F shop together with open yard at rear thereof and the exterior walls of the said shop and yard, No. 8 Yue Man Square, Kowloon, Hong Kong (the “Property”) at a consideration of HK\$47,113,000 to be entered into between Wellmake Investments Limited, a wholly-owned subsidiary of the Company, and the Urban Renewal Authority (a copy of which has been produced in the meeting marked “A” and initialled by the chairman of the meeting for identification), and the agreement relating to the payment of an allowance of HK\$4,711,000 (“Allowance Agreement”) payable to Wellmake Investments Limited for acquisition of the Property by the Urban Renewal Authority (a copy of which has been produced in the meeting marked “B” and initialled by the chairman of the meeting for identification) and all transactions contemplated under the Sale and Purchase Agreement and the Allowance Agreement be and are hereby approved; and that the directors of the Company are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement and the Allowance Agreement.”

By order of the Board of
EASYKNIT INTERNATIONAL HOLDINGS LIMITED
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

Hong Kong, 5 August 2009

* *For identification only*

NOTICE OF SGM

Notes:

1. Any shareholder of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by duly authorised corporate representative or by proxy. 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. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise, including the right to vote individually on a show of hands.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
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 that power or authority shall 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 adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company 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.
5. Where there are joint registered holders of any share, any one of such persons may vote at any 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 any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands shall for the purposes of the bye-laws of the Company be deemed joint holders thereof.
6. A form of proxy for use at the meeting is enclosed.