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

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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**

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\* For identification only

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	2
<b>APPENDIX — GENERAL INFORMATION</b> .....	5

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 14 November 2007 concerning the Disposals
“associate”	has 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
“Disposals”	the disposals by the Company of an aggregate of 1,000,000 Petrochina H Shares on the market on 9 November 2007
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region
“Latest Practicable Date”	28 November 2007, 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
“Petrochina”	Petrochina Company Limited, listed on the main board of the Stock Exchange (Stock code: 857)
“Petrochina H Share”	overseas listed foreign shares of RMB1.00 each in the share capital of Petrochina which are listed on the Stock Exchange and traded in Hong Kong dollars
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“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

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Tse Wing Chiu, Ricky

*(President & Chief Executive Officer)*

Ms. Lui Yuk Chu *(Vice President)*

Mr. Kwong Jimmy Cheung Tim

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

*Independent Non-executive Directors:*

Mr. Wong Sui Wah, Michael

Mr. Tsui Chun Kong

Mr. Jong Koon Sang

*Head Office and Principal Place of Business*

*in Hong Kong:*

Unit A, 7th Floor

Hong Kong Spinners Building

Phase 6, 481-483 Castle Peak Road

Cheung Sha Wan

Kowloon, Hong Kong

4 December, 2007

*To the Shareholders,*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

#### INTRODUCTION

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

#### THE DISPOSALS

The Company has, through its wholly-owned subsidiary, disposed on the market of an aggregate of 1,000,000 shares in Petrochina (representing approximately 0.000546% of the issued share capital of Petrochina, based on its issued share capital of 183,020,977,818 shares as shown in the announcement of Petrochina dated 1 November 2007) on 9 November 2007. The gross sale proceeds of the Disposal were HK\$15,960,000 (exclusive of transaction costs) which were received by payment in cash. The consideration received by the Company represented the then market price of the

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## LETTER FROM THE BOARD

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Petrochina H Shares. As a result of the Disposals, the Company will recognise a gain of approximately HK\$1,860,000 calculated on the basis of the difference between the acquisition price and the disposal price exclusive of transaction costs.

As the Disposals were made through the market, the Company is not aware of the identities of the buyers of the Petrochina H Shares and accordingly, to the best of the knowledge of the directors having made all reasonable enquiries, the purchasers of the Petrochina H 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 DISPOSALS

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 Disposals will enhance the cash balances of the Company. In addition, as the Petrochina H Shares were sold at market price, the Board believes that the Disposals were 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 part of the general working capital of the Group.

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

The Disposals will enable the Company to recognise a net gain of approximately HK\$1,860,000 subject to annual audit. As a result of the Disposals, the assets level of the Group will be increased by HK\$1,860,000. The Disposals will have no impact on the consolidated liabilities of the Company.

### INFORMATION ON PETROCHINA

Petrochina 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 on the website of the Stock Exchange, Petrochina is principally engaged in petroleum and natural gas-related activities, including:

- (a) the exploration, development, production and sale of crude oil and natural gas;
- (b) the refining, transportation, storage and marketing of crude oil and petroleum products;
- (c) the production and sale of basic petrochemical products, derivative chemical products and other petrochemical products; and
- (d) the transmission of natural gas and crude oil, and the sale of natural gas.

Further information on Petrochina can be found on the Stock Exchange website. Based on the 2007 interim report of Petrochina as at 30 June 2007, the unaudited net asset value of Petrochina was RMB755,053 million (equivalent to approximately HK\$776,949.5 million), while the unaudited net

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## LETTER FROM THE BOARD

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asset value of Petrochina attributed to the Disposals was approximately RMB4,220,746 (equivalent to approximately HK\$4,343,148). According to the annual reports of Petrochina for the two years ended 31 December 2005 and 31 December 2006 respectively, its net profits from ordinary activities (before and after taxation) were RMB193,822 million and RMB199,173 million and RMB139,642 million and RMB149,397 million respectively.

### GENERAL

Based on the “five-tests” calculation set out in rule 14.07 of the Listing Rules, one of the applicable percentage ratios in respect of the Disposals in aggregate exceeds 5% but is less than 25%. The Disposals therefore, constitute 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**  
**Tse Wing Chiu, Ricky**  
*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 and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or, chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

### A. Interests in the Company

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

*Note:* These Shares were registered in the name of and were beneficially owned by Magical Profits Limited, which was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

## B. Interests in associated corporations

1. *Easyknit Enterprises Holdings Limited*

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

*Note:* These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of the Company. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of the Company and it was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

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

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

*Notes:*

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

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



### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (“Substantial Shareholders”) (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or, had any options in respect of such capital are set out below:

Name of Substantial Shareholder	Nature of interest	Number of ordinary Shares (long position)	Approximate percentage of interest
Koon Wing Yee ( <i>Note a</i> )	Interest of spouse	291,794,804	36.74%
Magical Profits Limited ( <i>Notes a &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.