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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)**

## **ANNOUNCEMENT**

### **BASIS FOR EXCLUDING THE NON-QUALIFYING SHAREHOLDERS IN RELATION TO THE PROPOSED RIGHTS ISSUE OF THE COMPANY**

Based on the register of members of the Company at the close of business on 16 March 2006, there were a total of eight Overseas Shareholders with registered addresses outside Hong Kong, Singapore and Bermuda. Their registered addresses are respectively situated in Macau, Thailand, the USA and Australia. The Company has made preliminary enquiries as to whether offering the Rights Issue to such Overseas Shareholders would contravene the applicable securities legislations or trigger any filing or registration requirements of the relevant jurisdictions.

Based on the opinions of legal advisers in Macau, Thailand, the USA and Australia, the Directors have determined that: (i) it is expedient for the Rights Issue to be extended and offered to the Overseas Shareholders with registered addresses in Macau and Thailand; and (ii) it is not expedient to make available the Rights Issue to the Overseas Shareholders with registered addresses in the USA and Australia.

Reference is made to the announcement of the Company dated 8 March 2006 in respect of the proposed rights issue of the Company (“**Announcement**”). Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

Based on the register of members of the Company at the close of business on 16 March 2006, there were a total of eight overseas Shareholders whose registered addresses are outside Hong Kong, Singapore and Bermuda (“**Overseas Shareholders**”). There were four Overseas Shareholders with registered addresses in Macau, one Overseas Shareholder with registered address in Thailand, one Overseas Shareholder with registered address in the United States of America (“**USA**”) and two Overseas Shareholders with registered addresses in Australia respectively. To determine whether to extend the Rights Issue to the aforementioned Overseas Shareholders, the Company has made preliminary enquiries as to whether offering the Rights Issue to such Overseas Shareholders would contravene the applicable securities legislations or trigger any filing or registration requirements of the relevant jurisdictions.

Based on the opinions of legal advisers in Macau and Thailand, there is no restriction on the offering of the Rights Issue to the Overseas Shareholders in the respective jurisdictions. The Directors have determined that it is expedient for the Rights Issue to be extended and offered to such Overseas Shareholders in Macau and Thailand.

On the other hand, the legal opinions obtained from the USA and Australia suggested that the offering of the Rights Shares to the Overseas Shareholders in the respective regions is subject to certain restrictions and registration or lodgment of the Prospectus Documents is required. Due to the substantial costs involved and inevitable time delay for compliance with the relevant laws and regulations, the Directors have determined that it is not expedient to make available the Rights Issue to these Overseas Shareholders as such costs would outweigh the possible benefit to the relevant Shareholders and the Company as a whole. Accordingly no provisional allotment of Rights Shares will be made to these Overseas Shareholders, who will be considered as Non-Qualifying Shareholders. The Prospectus Documents will not be registered under or conformed to the applicable securities legislation of any jurisdictions other than those of Hong Kong and Bermuda. The Company will send the Prospectus to Non-Qualifying Shareholders for their information only and will not send the PALs and EAFs (or AREs and ARSs in case of Shares traded on the SGX-ST) to the Non-Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be available for excess application on EAFs (AREs in the case of Shares traded on the SGX-ST) by Qualifying Shareholders.

**Further details of the Rights Issue will be set out in the Prospectus to be despatched to Shareholders as soon as practicable. Shareholders and potential investors should exercise caution in dealing in the Shares.**

As of the date of this announcement, the executive directors of the Company are Mr. Tse Wing Chiu, Ricky and Ms. Lui Yuk Chu and the independent non-executive directors are Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong and Mr. Jong Koon Sang.

## DEFINITIONS

The following terms have the following meanings in this announcement:

“ARE(s)”	application form(s) for Rights Shares and excess Rights Shares to be issued to Qualifying Shareholders with Shares entered against their name in the depository registered maintained by The Central Depository (Pte) Limited in Singapore as at the Record Date
“ARS(s)”	application form(s) for Rights Shares issued to purchaser(s) of Rights Shares in nil-paid form which are traded on the SGX-ST
“SGX-ST”	Singapore Exchange Securities Trading Limited

By order of the Board of  
**Easyknit International Holdings Limited**  
**Tse Wing Chiu, Ricky**  
*President and Chief Executive Officer*

Hong Kong, 16 March 2006

\* *For identification only*

Please also refer to the published version of this announcement in The Standard.