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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 RIGHTS ISSUE  
OF EASYKNIT ENTERPRISES HOLDINGS LIMITED  
AND  
RESUMPTION OF TRADING**

The Board of Easyknit Enterprises, an associate of the Company, announced on 25 August 2009 that Easyknit Enterprises proposes a capital reorganisation exercise and thereafter, to raise approximately HK\$111.6 million (before expenses) by way of a rights issue of 293,699,560 EE Rights Shares at a subscription price of HK\$0.38 per EE Rights Share, payable in full on acceptance.

As at the date of the announcement, the Company, through Landmark Profits, is interested in 232,790,657 EE Shares, representing approximately 31.7% of the total issued share capital of Easyknit Enterprises. Upon the capital reorganisation becoming effective, Landmark Profits will be interested in 23,279,065 EE Adjusted Shares, representing approximately 31.7% of the total issued share capital of Easyknit Enterprises, as adjusted by the capital reorganisation of Easyknit Enterprises. Pursuant to the Underwriting Agreement, Landmark Profits has signed the Undertaking in favour of Easyknit Enterprises and the Underwriter pursuant to which it has conditionally undertaken, inter alia, that such EE Shares held by it on the date of the Undertaking will remain registered in its name at the close of business on the Record Date and that the EE Rights Shares to be provisionally allotted to it in respect of those EE Adjusted Shares (representing 93,116,260 EE Rights Shares) will be taken up and paid for in full by it. Landmark Profits will not apply for any excess EE Rights Shares. The obligations of Landmark Profits under the Undertaking are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms.

The consideration to be paid by Landmark Profits, for the 93,116,260 EE Rights Shares which Landmark Profits has undertaken to take up under the Undertaking amounts to approximately HK\$35,384,179. One of the applicable percentage ratios exceeds 5% but is less than 25% under Rule 14.06(2) of the Listing Rules. The full acceptance of its provisional allotment of the EE Rights Shares by Landmark Profits under the Undertaking therefore constitutes a discloseable transaction for the Company under the Listing Rules.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 18 August 2009 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Wednesday, 26 August 2009.

## **1. PROPOSED EE RIGHTS ISSUE**

The Board of Easyknit Enterprises, an associate of the Company, announced on 25 August 2009 that Easyknit Enterprises proposes a capital reorganisation exercise and thereafter, to raise approximately HK\$111.6 million (before expenses) by the way of a rights issue of 293,699,560 EE Rights Shares at a subscription price of HK\$0.38 per EE Rights Share, payable in full on acceptance.

The EE Rights Issue is conditional upon, among other things, approval from the independent shareholders of Easyknit Enterprises of the EE Rights Issue at a special general meeting of Easyknit Enterprises. Further details in relation to the EE Rights Issue are set out in the EE Announcement.

## **2. UNDERTAKING AND UNDERWRITING ARRANGEMENT**

As at the date of this announcement, the Company, through Landmark Profits, is interested in 232,790,657 EE Shares, representing approximately 31.7% of the total issued share capital of Easyknit Enterprises. Upon the capital reorganisation becoming effective, Landmark Profits will be interested in 23,279,065 EE Adjusted Shares, representing approximately 31.7% of the total issued share capital of Easyknit Enterprises as adjusted by the capital reorganisation of Easyknit Enterprises.

The Underwriting Agreement was entered into between Easyknit Enterprises and the Underwriter pursuant to which the Underwriter has agreed to fully

underwrite the 200,583,300 EE Rights Shares (being all the 293,699,560 EE Rights Shares to be issued under the EE Rights Issue less the 93,116,260 EE Rights Shares to be issued to and taken up by Landmark Profits, pursuant to the Undertaking).

Pursuant to the Underwriting Agreement, Landmark Profits has signed the Undertaking in favour of Easyknit Enterprises and the Underwriter pursuant to which it has conditionally undertaken, inter alia, that the EE Shares held by it on the date of the Undertaking will remain registered in its name at the close of business on the Record Date and that the EE Rights Shares to be provisionally allotted to it in respect of those EE Adjusted Shares (representing 93,116,260 EE Rights Shares) will be taken up and paid for in full by it. On the basis of the subscription price of HK\$0.38 per EE Rights Share, the total consideration payable by Landmark Profits for the 93,116,260 EE Rights Shares which Landmark Profits has undertaken to take up under the Undertaking, amounts to approximately HK\$35,384,179 and will be satisfied by payment in cash from internal resources of the Company. Landmark Profits will not apply for any excess EE Rights Shares.

The obligations of Landmark Profits under the Undertaking are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms. If this condition is not fulfilled, all liabilities of Landmark Profits thereunder shall cease and determine. Further details in relation to the Underwriting Agreement are set out in the EE Announcement.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholders are third parties independent of the Company and connected persons of the Company.

### **3. INFORMATION ON EASYKNIT ENTERPRISES AND REASONS FOR THE EE RIGHTS ISSUE**

Easyknit Enterprises is principally engaged in the bleaching, dyeing and knitting businesses.

Based on the annual report of Easyknit Enterprises for the year ended 31 March 2009, the audited net asset value of the group of Easyknit Enterprises was approximately HK\$356,580,000. The net asset value per share based on 734,248,900 shares in issue of Easyknit Enterprises at the date of this announcement was approximately HK\$0.486. The closing price of Easyknit Enterprises as quoted on the Stock Exchange on the Last Trading Day was HK\$0.125 per EE Share.

According to the annual report of Easyknit Enterprises for the year ended 31 March 2009, net loss before and after taxation of its group for the year ended 31 March 2008 and 31 March 2009 respectively are summarised below.

	<b>For the year ended 31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>(Audited)</b>	<b>(Audited)</b>
	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>
Loss before taxation	46,205	14,979
Loss after taxation	47,457	17,811

As stated in the annual report of Easyknit Enterprises for the year ended 31 March 2009, the Board has expanded its group's business activities to property investment and on 3 July 2009, Easyknit Enterprises announced the proposed acquisitions of two companies, which are named as purchasers in the sale and purchase agreements of two commercial properties in Hong Kong at an aggregate consideration of approximately HK\$91.7 million.

The gross proceeds of the EE Rights Issue will be approximately HK\$111.6 million. The estimated expenses of the EE Rights Issue amount to approximately HK\$2.6 million and will be borne by Easyknit Enterprises. The estimated net proceeds of the EE Rights Issue will therefore be approximately HK\$109.0 million.

Further to the aforesaid two acquisitions, the board of Easyknit Enterprises has continued to look for potential investment opportunities in Hong Kong in order to build up its property portfolio. Easyknit Enterprises intends to utilise approximately HK\$70.0 million of the net proceeds from the EE Rights Issue to finance its potential property acquisitions and the remaining approximately HK\$39.0 million for the general working capital of Easyknit Enterprises.

Given the uncertain credit environment which has adversely affected the financial markets in the past year, the directors of Easyknit Enterprises are of the view that it is prudent to finance its group's long-term growth with long-term funding in the form of equity, which will not have refinancing risk. The directors of Easyknit Enterprises believe the EE Rights Issue is an appropriate way to raise capital to enhance the capital base of Easyknit Enterprises.

The EE Rights Issue also allows Easyknit Enterprises to increase its capital base without diluting the shareholdings of the shareholders of Easyknit Enterprises who decide to take up in full their provisional allotment of EE Rights Shares. On this basis, the directors of Easyknit Enterprises consider that it is in the interests of Easyknit Enterprises and its shareholders as a whole to raise capital through the EE Rights Issue.

#### **4. REASON FOR FULL ACCEPTANCE OF THE EE RIGHTS ISSUE**

The Company is principally engaged in the businesses of sourcing and exporting of cotton-based knitted garments for infants, children and women, and property investment and development.

Landmark Profits will not apply for any excess EE Rights Shares. The Company's percentage holding in Easyknit Enterprises therefore will remain the same at approximately 31.7% of the total issued share capital of Easyknit Enterprises immediately after the capital reorganisation of Easyknit Enterprises coming into effect, and completion of the EE Rights Issue. The Directors consider that the full acceptance by the Company of its provisional allotment under the EE 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 the Company's participation in the EE Rights Issue is fair and reasonable and in the interest of the Shareholders as a whole.

There will also be no significant impact on the earnings, assets and liabilities of the Group immediately following the full acceptance of the provisional allotment under the EE Rights Issue by the Company, through Landmark Profits, as the increase in the 93,116,260 EE Rights Shares at a total consideration of approximately HK\$35,384,179 booked in the interests in associates account of the Group will be offset by the decrease in cash and bank balances.

#### **5. GENERAL**

The consideration to be paid by Landmark Profits for the 93,116,260 EE Rights Shares which Landmark Profits has undertaken to take up under the Undertaking amounts to approximately HK\$35,384,179. One of the applicable percentage ratios exceeds 5% but is less than 25% under Rule 14.06(2) of the Listing Rules. The full acceptance of its provisional allotment of the EE Rights Shares by Landmark Profits under the Undertaking therefore constitutes a discloseable transaction for the Company under the Listing Rules.

## 6. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 18 August 2009 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Wednesday, 26 August 2009.

### DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“associate(s)”	the meaning ascribed thereto in 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 main board of the Stock Exchange
“connected persons”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“EE Announcement”	the announcement of Easyknit Enterprises dated 25 August 2009 relating to, inter alia, the EE Rights Issue
“EE Adjusted Share(s)”	shares of HK\$ 0.01 each in the capital of Easyknit Enterprises upon the capital reorganisation of Easyknit Enterprises becoming effective
“EE Rights Issue”	the proposed rights issue of 293,699,560 EE Rights Shares at a subscription price of HK\$0.38 per EE Rights Share on the basis of four (4) EE Rights Shares for every one EE Adjusted Share held on the Record Date
“EE Rights Share(s)”	293,699,560 EE Adjusted Share(s) to be issued and allotted under the EE Rights Issue

“EE Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of Easyknit Enterprises
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Company which is the beneficial owner of 232,790,657 EE Shares, representing approximately 31.7% of the issued shares of Easyknit Enterprises, and a controlling shareholder of Easyknit Enterprises
“Last Trading Day”	17 August 2009, being the last trading day before the suspension of the trading in the Shares pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Record Date”	13 October 2009 (or such other date as the Underwriter may agree in writing with Easyknit Enterprises as the date by reference to which entitlements to the EE Rights Issue are to be determined)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of share(s) of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.38 per EE Rights Share under the EE Rights Issue

“subsidiaries”	the subsidiaries (as “subsidiary” is defined in the Listing Rules) of the Company
“Undertaking”	the conditional irrevocable undertaking dated 17 August 2009 from Landmark Profits to Easyknit Enterprises and the Underwriter as described in the section headed “Undertaking and Underwriting Arrangement” in this announcement
“Underwriter”	Kingston Securities Limited, a deemed licensed corporation to carry out business in type 1 (dealing in securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 17 August 2009 as supplemented by a side letter dated 21 August 2009 entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain other arrangements in respect of the EE Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum

By order of the Board of  
**Easyknit International Holdings Limited**  
**Kwong Jimmy Cheung Tim**  
*President and Chief Executive Officer*

Hong Kong, 25 August 2009

*As at the date of this announcement, the Board comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive directors, Mr. Tse Wing Chiu, Ricky as non-executive director and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.*

*\* For identification only*