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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)

Sea Rejoice Limited

樂洋有限公司*

(incorporated in the British Virgin Islands

with limited liability)

JOINT ANNOUNCEMENT

**VOLUNTARY CONDITIONAL OFFER BY
KINGSTON SECURITIES LIMITED**

AND

ALTUS INVESTMENTS LIMITED

ON BEHALF OF

SEA REJOICE LIMITED

TO ACQUIRE ALL OF THE ISSUED SHARES

IN THE SHARE CAPITAL OF

EASYKNIT INTERNATIONAL HOLDINGS LIMITED

(OTHER THAN THOSE ALREADY OWNED OR

AGREED TO BE ACQUIRED BY

SEA REJOICE LIMITED AND PARTIES ACTING IN CONCERT

WITH IT)

AND

RESUMPTION OF TRADING

Joint financial advisers to Sea Rejoice Limited



KINGSTON CORPORATE FINANCE LIMITED

ALTUS CAPITAL LIMITED

The Offer

The Offeror intends to make the Offer (in compliance with the Takeovers Code) through Kingston Securities and Altus Investments for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at an offer price of HK\$3.30 per Offer Share.

As at the date of this joint announcement, there are 79,420,403 Shares in issue, of which 29,179,480 Shares (representing approximately 36.74% of the issued share capital of Easyknit International) are held by Magical Profits, a party acting in concert with the Offeror.

The Offer is subject to the conditions described in “Conditions of the Offer” in this joint announcement and accordingly may lapse if the Offer does not become unconditional. Shareholders of and potential investors in Easyknit International are advised to exercise extreme caution when dealing in the securities of Easyknit International.

Despatch of Composite Offer Document

A Composite Offer Document containing, amongst other things, information relating to the Offeror, information relating to Easyknit International and its subsidiaries, the terms and conditions of the Offer, the recommendation of the independent board committee of Easyknit International established in respect of the Offer and the advice of the independent financial adviser to the independent board committee in respect of the Offer, together with forms of acceptance and transfer will be despatched to the Shareholders in accordance with the Takeovers Code.

Financial advisers

An independent board committee comprising all the non-executive Directors, all of whom are independent of the Offeror, namely Mr. Tse Wing Chiu, Ricky, Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun, has been appointed to advise the Shareholders (other than the Offeror and persons acting in concert with it) in respect of the Offer. Kingston Corporate Finance and Altus Capital have been appointed as the joint financial advisers to the Offeror in respect of the Offer. A further announcement will be made by the Company and the Offeror as soon as practicable after the appointment of the independent financial adviser to the independent board committee.

Suspension and Resumption of Trading

At the request of Easyknit International, trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9.30 am on 26 May 2010, pending the release of this joint announcement. Application has been made by Easyknit International to the Stock Exchange for resumption of trading in the Shares with effect from 9.30 am on 31 May 2010.

The Offer

The Offeror intends to make the Offer (in compliance with the Takeovers Code) through Kingston Securities and Altus Investments on and subject to the terms set out in the Composite Offer Document to be despatched to Shareholders and in the accompanying form of acceptance and transfer for the Shares, for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at the Offer Price, on the following basis:

For each Offer Share HK\$3.30 payable in cash

As at the date of this announcement, there are 79,420,403 Shares in issue. Assuming that there is no change in the issued share capital of the Company prior to the making of the Offer, at the Offer Price of HK\$3.30 per Offer Share, the entire issued share capital of the Company would be valued at approximately HK\$262.09 million under the Offer.

Based on the issued share capital of the Company of 79,420,403 Shares as at the date of this announcement, there are 50,240,923 Shares subject to the Offer after deducting the 29,179,480 Shares (representing approximately 36.74% of the issued share capital of the Company) held by Magical Profits Limited, a party acting in concert with the Offeror. The Offer is valued at approximately HK\$165.80 million based on the Offer Price.

The Company has no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

The Offer Price represents:

- (a) a premium of approximately 33.06% over the closing price of HK\$2.480 per Share, as quoted on the Stock Exchange on 25 May 2010, being the last trading day for the Shares prior to the date of this joint announcement;

- (b) a premium of approximately 25.86% over the average closing price of HK\$2.622 per Share, as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the last trading day prior to the date of this joint announcement;
- (c) a premium of approximately 22.91% over the average closing price of HK\$2.685 per Share, as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the last trading day prior to the date of this joint announcement; and
- (d) a discount of approximately 80.8% to the audited consolidated net asset value per Share of approximately HK\$17.19 as at 31 March 2009.

During the six-month period preceding the date of this joint announcement, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.10 per Share on 13 and 14 April 2010 respectively, and the lowest closing price of the Shares on the Stock Exchange was HK\$1.95 per Share on 27 November 2009.

There have been no dealings in the Shares by the Offeror and parties acting in concert with it during the six-month period prior to the date of this joint announcement.

Conditions of the Offer

The Offer is conditional upon:

- (a) valid acceptances having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date in respect of the Shares, which together with the Shares already held by the Offeror and parties acting in concert with it, constitute more than 50% of the voting rights of Easyknit International;
- (b) each and every member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, provisional liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any part of the assets or undertakings of any member of the Group from the date of this joint announcement up to the date when condition (a) is satisfied; and
- (c) no event having occurred on or before the date on which condition (a) above has been satisfied which would make the Offer or the acquisition of any of the Shares by the Offeror void, unenforceable, illegal or unable to be proceeded with or would impose any additional material conditions or obligations with respect to the Offer or any part thereof or the acquisition of any of the Shares.

The Offeror reserves the right to waive the conditions to the Offer set out above (except for condition (a)), in whole or in part.

The Offer may lapse if it does not become unconditional. Shareholders of and potential investors in Easyknit International are advised to exercise extreme caution when dealing in the securities of Easyknit International.

As at the date of this joint announcement:

- (a) there are no existing holdings of voting rights or rights over Shares in respect of which the Offeror or any parties acting in concert with it:
 - (i) has received an irrevocable commitment to accept the Offer;
 - (ii) holds convertible securities, warrants or options;
- (b) there are no outstanding derivatives in respect of securities in Easyknit International entered into by the Offeror or any parties acting in concert with it;
- (c) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or Easyknit International, which might be material to the Offer;
- (d) there are no agreements or arrangements to which the Offeror is party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; or
- (e) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Easyknit International which the Offeror or any parties acting in concert with it has borrowed or lent.

Confirmation of Financial Resources

The maximum cash consideration payable under the Offer for all of the issued share capital of Easyknit International, other than Shares held by the Offeror and parties acting in concert with it, is approximately HK\$165.80 million.

Kingston Corporate Finance and Altus Capital are satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offer.

Stamp duty

Seller's ad valorem stamp duty payable by the Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer.

Reasons for the Offer

As at the date of this joint announcement, there are 79,420,403 Shares in issue, of which 29,179,480 Shares (representing approximately 36.74% of the issued share capital of Easyknit International) are held by Magical Profits, a party acting in concert with the Offeror.

In order to increase its degree of control over Easyknit International, the Offeror wishes to increase its (and its concert parties') shareholding of Easyknit International to over 50% while maintaining Easyknit International's existing businesses of property investments, investments in securities and loan financing.

Intentions of the Offeror regarding Easyknit International and the Group

The Offeror does not intend to dispose of or redeploy the assets of the Group other than in the ordinary course of business and has no intention to change the existing management of the Group.

The Offeror also intends to maintain the listing status of Easyknit International on the Stock Exchange after the close of the Offer and accordingly, will take appropriate steps to ensure that not less than 25% of the Shares will be held by the public.

If, at the close of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend dealings in the Shares.

It should therefore be noted that, upon completion of the Offer, there may be insufficient public float for the Shares, and therefore trading in the Shares may be suspended until a prescribed level of public float is attained. The Offeror may enter into a conditional placing arrangement to place out Shares in order to ensure the above in the event that the Offeror acquires more than 75% issued Shares pursuant to the Offer.

Information on the Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Lui Yuk Chu. Ms. Lui Yuk Chu is an executive Director and the Vice President of Easyknit International and is one of the beneficiaries of The Magical 2000 Trust.

The 29,179,480 Shares (representing approximately 36.74% of the issued share capital of Easyknit International) in which Ms. Lui Yuk Chu is interested are

registered in the name of and are beneficially owned by Magical Profits Limited, which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust. The Offeror is acting in concert with Ms. Lui Yuk Chu, Magical Profits Limited, Accumulate More Profits Limited and Hang Seng Bank Trustee International Limited.

Information on the Group and Easyknit International

The Group is principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women, property investments and development, investments in securities and loan financing. Easyknit International was incorporated in Bermuda on 8 September 1994 and has been listed on the Stock Exchange since 1995. Easyknit International is now an investment holding company for the Group.

Further information relating to Easyknit International will be included in the Composite Offer Document to be despatched to Shareholders.

Shareholding structure

As at the date of this joint announcement, there are 79,420,403 Shares in issue. Other than the Shares, there are no convertible securities, warrants, options, derivatives or other securities convertible into Shares issued by Easyknit International. The following is the shareholding structure of Easyknit International as at the date of this joint announcement:

Name of Shareholder	Number of Shares held	Approximate percentage of existing Shares
<i>The Offeror and parties acting in concert with it</i>		
Magical Profits Limited ^{Note}	29,179,480	36.74%
<i>Other Shareholders</i>		
Public	<u>50,240,923</u>	<u>63.26%</u>
Total	<u>79,420,403</u>	<u>100.00%</u>

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

Application of the Chain Principle

Given that Easyknit International controls over 30% of Easyknit Enterprises Holdings Limited, a company which is also listed on the Stock Exchange, an obligation to make a mandatory offer for all the issued shares of Easyknit Enterprises Holdings Limited may, where the Offeror acquires the statutory control of Easyknit International, be triggered under the “chain principle” in Note 8 to Rule 26.1 of the Takeovers Code.

The Offeror has made an application to the Executive for confirmation as to the application of the “chain principle” in Note 8 to Rule 26.1 of the Takeovers Code.

The Executive has confirmed that the Offeror will not be required to make a general offer for all the issued shares of Easyknit Enterprises Holdings Limited under Note 8 to Rule 26.1 of the Takeovers Code as a result of the Offer.

General Matters relating to the Offer

Availability of Offer

The Composite Offer Document together with the related acceptance and transfer forms will be sent to all Shareholders, including those with a registered address outside Hong Kong. However, the availability of the Offer to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

Independent Board Committee

An independent board committee comprising all the non-executive Directors all of whom are independent of the Offeror, namely Mr. Tse Wing Chiu, Ricky, Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun, has been appointed to advise the Shareholders (other than the Offeror and persons acting in concert with it) in respect of the Offer. A further announcement will be made by the Company and the Offeror as soon as practicable after the appointment of the independent financial adviser to the independent board committee.

Despatch of Composite Offer Document

A Composite Offer Document containing, amongst other things, information relating to the Offeror, information relating to Easyknit International and its subsidiaries, the terms and conditions of the Offer, the recommendation of the independent board committee of Easyknit International established in respect of the Offer and the advice of the independent financial adviser to the independent board committee in respect

of the Offer, together with forms of acceptance and transfer will be despatched to the Shareholders as soon as practicable in accordance with the Takeovers Code. Shareholders are advised to take no action as regards the Offer until they have received the Composite Offer Document.

Completion of the Offer

If the conditions to the Offer are not satisfied (or, if permissible, waived) on or before the Closing Date, the Offer will lapse unless extended by the Offeror. In that case, the Offeror will issue an announcement in accordance with the Takeovers Code as soon as practicable thereafter. The latest date on which the Offeror can declare the Offer unconditional is the Long Stop Date. An announcement will be made to Shareholders both when the Offer becomes unconditional as to acceptances and when it becomes unconditional in all respects.

Disclosure Obligations

In accordance with Rule 3.8 of the Takeovers Code, associates of Easyknit International and the Offeror are hereby reminded to disclose their dealings in any securities of Easyknit International pursuant to the Takeovers Code.

Pursuant to Note 11 to Rule 22 of the Takeovers Code, stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant provisions of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven-day period is less than HK\$1 million. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

The Offer is subject to the conditions described in “Conditions of the Offer” in this joint announcement and accordingly may lapse if the Offer does not become unconditional. Shareholders of and potential investors in Easyknit International are advised to exercise extreme caution when dealing in the securities of Easyknit International.

Suspension and Resumption of Trading in the Shares

At the request of Easyknit International, trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9.30 am on 26 May 2010, pending the release of this joint announcement. Application has been made by Easyknit International to the Stock Exchange for resumption of trading in the Shares with effect from 9.30 am on 31 May 2010.

DEFINITIONS

The following terms are used in this joint announcement with the meanings set opposite them unless the context requires otherwise:

“Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Types 4, 6 and 9 (advising on securities, corporate finance and asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong, one of the joint financial advisers to the Offeror in respect of the Offer
“Altus Investments”	Altus Investments Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Closing Date”	the date, to be stated in the Composite Offer Document, that is the first closing date of the Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive
“Composite Offer Document”	the document containing, amongst other things, information relating to the Offeror, information relating to Easyknit International and its subsidiaries, the terms and conditions of the Offer, the recommendation of the independent board committee of Easyknit International established in respect of the Offer and the advice of the independent financial adviser to the independent board committee in respect of the Offer, together with forms of acceptance and transfer to be despatched to the Shareholders
“Director(s)”	director(s) of Easyknit International

“Easyknit International” or “Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability on 8 September 1994, the securities of which are listed on the main board of Stock Exchange
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Group”	Easyknit International and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong, one of the joint financial advisers to the Offeror in respect of the Offer
“Kingston Securities”	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the day that is 60 days after the date of the posting of the Composite Offer Document (or such later date as the Executive may consent to)
“Magical Profits”	Magical Profits Limited, a company incorporated in the British Virgin Islands on 11 April 1994 with limited liability
“Offer”	the voluntary conditional offer to be made (in compliance with the Takeovers Code) for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, at an offer price of HK\$3.30 per Offer Share

“Offer Price”	HK\$3.30 payable in cash by the Offeror to the Shareholders per Offer Share
“Offer Share(s)”	Share(s) not already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Sea Rejoice Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Lui Yuk Chu
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Easyknit International
“Share Consolidation”	the consolidation of every ten (10) issued and unissued shares in Easyknit International of HK\$0.01 each into one Share of HK\$0.10 , approved by Shareholders at the special general meeting of Easyknit International held on 17 February 2010
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

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

By order of the board of
SEA REJOICE LIMITED
Lui Yuk Chu
Director

Hong Kong, 28 May 2010

At the date of this joint announcement, the board of Easyknit International comprises Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan, Candy 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.

As at the date hereof, the sole director of the Offeror is Ms. Lui Yuk Chu

The sole director of the Offeror accepts full responsibility for the accuracy of information contained in this joint announcement (other than information in relation to Easyknit International) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statement in this joint announcement misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than information in relation to the Offeror and the parties acting in concert with it (other than Easyknit International)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than opinions expressed by the Offeror and the parties acting in concert with it (other than Easyknit International)), have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

** For identification only*