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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 5 January 2011 that Easyknit Enterprises proposes to raise approximately HK\$64.2 million (before expenses) by way of a rights issue of 183,562,225 EE Rights Shares at a subscription price of HK\$0.35 per EE Rights Share, payable in full on acceptance.

As at the date of the announcement, the Company, through Landmark Profits, is interested in 116,395,325 EE Shares, representing approximately 31.7% of the total issued share capital of Easyknit Enterprises. Under 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 as at 4.00 p.m. on the Record Date and that the EE Rights Shares to be provisionally allotted to it in respect of the EE Shares (representing 58,197,662 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 consideration to be paid by Landmark Profits, for the 58,197,662 EE Rights Shares which Landmark Profits has undertaken to take up under the Undertaking amounts to HK\$20,369,182. One of the applicable percentage ratios under Rule 14.06(2) of the Listing Rules exceeds 5% but is less than 25%. 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 Wednesday, 5 January 2011 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 Thursday, 6 January 2011.

1. PROPOSED EE RIGHTS ISSUE

The board of Easyknit Enterprises, an associate of the Company, has announced on 5 January 2011 that it proposed to raise approximately HK\$64.2 million before expenses by the way of the EE Rights Issue of 183,562,225 EE Rights Shares at a subscription price of HK\$0.35 per EE Rights Share, payable in full on acceptance. Further details in relation to the EE Rights Issue have been 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 116,395,325 EE Shares, representing approximately 31.7% of the total issued share capital of Easyknit Enterprises. On the basis of HK\$0.35 per EE Rights Share, the total consideration payable by the Company through Landmark Profits for the 58,197,662 EE Rights Shares under the Undertaking amounts to HK\$20,369,182 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 Underwriting Agreement was entered into between Easyknit Enterprises and the Underwriter pursuant to which the Underwriter has agreed to fully underwrite the 125,364,563 EE Rights Shares (being all the 183,562,225 EE Rights Shares to be issued under the EE Rights Issue less the 58,197,662 EE Rights Shares to be issued to and taken up by Landmark Profits, pursuant to the Undertaking).

Under 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 as at 4.00 p.m. on the Record Date and that the EE Rights Shares to be provisionally allotted to it in respect of those EE Shares (representing 58,197,662 EE Rights Shares) will be taken up and paid for in full by it. The Undertaking will also lapse if the EE Rights Issue does not become unconditional in accordance with its terms. Further details in relation to the Underwriting Agreement have been 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 shareholder 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

As stated in its 2010 Interim Report, Easyknit Enterprises had ceased its knitting, bleaching and dyeing manufacturing operations. It will focus on the business of garment sourcing and exporting, and investment in real properties.

Based on the interim report of Easyknit Enterprises for six months ended 31 September 2010, the unaudited net asset value of the group of Easyknit Enterprises was approximately HK\$509,856,000. The net asset value per share based on 367,124,450 shares in issue of Easyknit Enterprises at the date of this announcement was HK\$1.39. The closing price of Easyknit Enterprises was HK\$0.53 per share as quoted on the Stock Exchange on the Last Trading Day.

According to the interim report of Easyknit Enterprises for six months ended 31 September 2010, net profit and loss before and after taxation of its group for six months ended 31 September 2009 and 31 September 2010 respectively are summarised below.

	For six months ended	
	31 September	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit (loss) before taxation	17,550	(4,681)
Profit (loss) after taxation	15,880	(15,967)

As announced by Easyknit Enterprises on 31 December 2010, its group plans to invest in hotels and serviced apartments in Beijing, Shanghai and Hong Kong. Easyknit Enterprises is in the process of seeking potential investment opportunities although it currently has not identified any specific acquisition target. Easyknit Enterprises intends to use the proceeds of the EE Rights Issue to partially finance its investments in the hotels and serviced apartments projects.

The directors of Easyknit Enterprises are of the view that given the competitive nature of negotiations and bidding for hotels and serviced apartments projects, it is important that the Group has ready access to significant financial resources. Easyknit Enterprises may consider further fund raising, by way of borrowing from financial institutions, issuance of debt or equity securities or a combination of those methods, to supplement its existing financial resources and proceeds from the EE Rights Issue depending on the size of the projects.

4. REASON FOR FULL ACCEPTANCE OF THE EE RIGHTS ISSUE

The Company is principally engaged in the businesses of property investment and development, investment in securities and loan financing.

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.

5. GENERAL

The consideration to be paid by Landmark Profits for the 58,197,662 EE Rights Shares which Landmark Profits has undertaken to take up under the Undertaking amounts to approximately HK\$20,369,182. One of the applicable percentage ratios under Rule 14.06(2) of the Listing Rules exceeds 5% but is less than 25%. 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 Wednesday, 5 January 2011 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 Thursday, 6 January 2011.

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 Stock Exchange
“connected persons”	has the meanings 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 Stock Exchange
“EE Announcement”	the announcement of Easyknit Enterprises dated 5 January 2011 relating to the EE Rights Issue
“EE Rights Issue”	the proposed rights issue of 183,562,225 EE Rights Shares at a subscription price of HK\$0.35 per EE Rights Share on the basis of one EE Rights Shares for every two existing EE Shares held on the Record Date
“EE Rights Share(s)”	183,562,225 EE 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 share capital of Easyknit Enterprises
“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 holds 31.7% of the issued shares of Easyknit Enterprises, and a controlling shareholder of Easyknit Enterprises

“Last Trading Day”	4 January 2011, being the last trading day before the suspension of the trading in the EE Shares, pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Record Date”	10 February 2011 or such other date as the Underwriter may agree in writing with Easyknit Enterprises the date by reference to which entitlements to the EE Rights Issue are expected 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\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.35 per EE Rights Share under the EE Rights Issue
“Undertaking”	the undertaking letter dated 4 January 2011 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 4 January 2011 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
“%” 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, 5 January 2011

As at the date of this announcement, the Board 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.

* *For identification only*