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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)



Easyknit Enterprises Holdings Limited

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 0616)

ANNOUNCEMENT

MAJOR TRANSACTION OF EASYKNIT INTERNATIONAL HOLDINGS LIMITED IN RELATION TO CONDITIONAL SHARE PURCHASE FROM MR. PARK

**VERY SUBSTANTIAL ACQUISITION OF EASYKNIT INTERNATIONAL
HOLDINGS LIMITED IN RELATION TO THE POSSIBLE MANDATORY
CONDITIONAL OFFER BY
ALTUS INVESTMENTS LIMITED
ON BEHALF OF
EASYKNIT INTERNATIONAL HOLDINGS LIMITED
(THROUGH GOODCO DEVELOPMENT LIMITED)
FOR ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
EASYKNIT ENTERPRISES HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
EASYKNIT INTERNATIONAL HOLDINGS LIMITED AND PARTIES
ACTING IN CONCERT WITH IT)**

AND

RESUMPTION OF TRADING

Financial adviser to Easyknit International Holdings Limited

ALTUS CAPITAL LIMITED

* *For identification only*

The Conditional Share Purchase Agreement

On the evening of 5 September 2011, the EE Directors were notified by the EI Directors that, (i) the Offeror as the purchaser, and Mr. Park as the vendor, intend to enter into the Conditional Share Purchase Agreement; and (ii) subject to completion of the Conditional Share Purchase Agreement, the Offeror intends to make the Possible Offer.

The Conditional Share Purchase Agreement was entered into on 12 September 2011. Under the Conditional Share Purchase Agreement, the Offeror has conditionally agreed to acquire, and Mr. Park has conditionally agreed to sell, 61,775,205 EE Shares beneficially owned by Mr. Park at a price of HK\$0.30 per EE Share. The 61,775,205 EE Shares represent approximately 11.22% of the issued share capital of Easyknit Enterprises as at the date of this announcement.

The Offeror is an indirect wholly-owned subsidiary of Easyknit International. As at the date of this announcement, Easyknit International is indirectly interested, through another wholly-owned subsidiary, Landmark Profits, in approximately 31.70% of the issued share capital of Easyknit Enterprises. Upon completion of the Conditional Share Purchase Agreement, the aggregate interests of Easyknit International, the Offeror and parties acting in concert with any of them, in Easyknit Enterprises will increase to approximately 42.92%. Accordingly, Easyknit International, the Offeror and parties acting in concert with any of them will be required under Rule 26.1(d) of the Takeovers Code to make the Possible Offer for all the EE Shares not already owned or agreed to be acquired by Easyknit International, the Offeror and parties acting in concert with any of them, at an offer price of HK\$0.30 per Offer Share, which is the same as the price under the Conditional Share Purchase Agreement.

The completion of the Conditional Share Purchase Agreement is conditional upon, inter alia, (i) the EI Shareholders having approved the Conditional Share Purchase Agreement and the transactions contemplated thereunder at the SGM; and (ii) approval of the EI Shareholders at the SGM of the making of the Possible Offer by the Offeror.

The Possible Offer

Upon completion of the Conditional Share Purchase Agreement, the Offeror will be obliged to make the Possible Offer (in compliance with the Takeovers Code) through Altus Investments for all the EE Shares not already owned or agreed to be acquired by Easyknit International, the Offeror and parties acting in concert with any of them, at an Offer Price of HK\$0.30 per Offer Share.

As at the date of this announcement, there are 550,686,675 EE Shares in issue, of which 174,592,987 EE Shares (representing approximately 31.70% of the issued share capital of Easyknit Enterprises) are held by Landmark Profits, a wholly-owned subsidiary of Easyknit International. Excluding the 61,775,205 EE Shares which are the subject of the Conditional Share Purchase Agreement, there will be 314,318,483 EE Shares which are subject to the Possible Offer. The Possible Offer is valued at approximately HK\$94.3 million based on the Offer Price.

The Conditional Share Purchase Agreement is subject to the conditions described in “Conditions of the Conditional Share Purchase Agreement” and the obligation to make the Possible Offer will not be triggered if the Conditional Share Purchase Agreement does not complete and accordingly the Conditional Share Purchase Agreement and the Possible Offer may or may not proceed. In addition, the Possible Offer may lapse if it does not become unconditional. Shareholders of, and potential investors in, Easyknit International and Easyknit Enterprises are advised to exercise extreme caution when dealing in the securities of Easyknit International and Easyknit Enterprises.

Listing Rules implications

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Conditional Share Purchase Agreement exceed 25% but are less than 100%, the Conditional Share Purchase Agreement and the transactions contemplated thereunder will constitute a major transaction of Easyknit International under Rule 14.08 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the value of the Possible Offer exceeds 100%, the Possible Offer and the transactions contemplated thereunder will constitute a very substantial acquisition of Easyknit International under Rule 14.08 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules.

Despatch of the Circular and Composite Offer Document

The Circular containing inter alia, (i) further details of the Conditional Share Purchase Agreement; (ii) further details of the Possible Offer; (iii) the valuation reports on the properties owned by Easyknit International and Easyknit Enterprises; (iv) relevant financial information of Easyknit International and Easyknit Enterprises; and (v) the notice of SGM, is expected to be despatched to the EI Shareholders on or before 30 September 2011.

Upon completion of the Conditional Share Purchase Agreement, the Composite Offer Document containing, amongst other things, information relating to the Offeror, information relating to Easyknit Enterprises and its subsidiaries, the terms and conditions of the Possible Offer, the recommendation of the independent board committee of Easyknit Enterprises established in respect of the Possible Offer and the advice of the independent financial adviser to the independent board committee in respect of the Possible Offer, together with forms of acceptance and transfer will be despatched to the EE Shareholders in accordance with the Takeovers Code.

Suspension and resumption of trading

At the requests of Easyknit International and Easyknit Enterprises, trading in the EI Shares and EE Shares on the Stock Exchange was suspended with effect from 9.00 am on 6 September 2011, pending the release of this announcement. Applications have been made by Easyknit International and Easyknit Enterprises to the Stock Exchange for resumption of trading in the EI Shares and EE Shares with effect from 9.00 am on 14 September 2011.

On the evening of 5 September 2011, the EE Directors were notified by the EI Directors that, (i) the Offeror as the purchaser, and Mr. Park as the vendor, intend to enter into the Conditional Share Purchase Agreement; and (ii) subject to completion of the Conditional Share Purchase Agreement, the Offeror intends to make the Possible Offer.

The EI Directors wish to announce that the Conditional Share Purchase Agreement was entered into on 12 September 2011 between the Offeror as the purchaser and Mr. Park as the vendor, with regard to the Share Purchase.

THE CONDITIONAL SHARE PURCHASE AGREEMENT

Date

12 September 2011

Parties

The purchaser: Goodco Development Limited

The vendor: Mr. Park Jong Yong, an Independent Third Party

Goodco is incorporated in the British Virgin Islands on 8 March 2011 and is an indirect wholly-owned subsidiary of Easyknit International. It has not conducted any business activities other than entering into the Conditional Share Purchase Agreement. The purchaser is also the Offeror under the Possible Offer.

Mr. Park is an Independent Third Party. The 61,775,205 EE Shares under the Conditional Share Purchase Agreement is Mr. Park's entire shareholding interests in Easyknit Enterprises. As at the date of this announcement, Mr. Park owns 20 EI Shares.

Subject of the Conditional Share Purchase Agreement

Pursuant to the Conditional Share Purchase Agreement, the Offeror has conditionally agreed to purchase and Mr. Park has conditionally agreed to sell 61,775,205 EE Shares beneficially owned by Mr. Park for an aggregate consideration of HK\$18,532,561.50, or HK\$0.30 per EE Share. The 61,775,205 EE Shares represent approximately 11.22% of the issued share capital of Easyknit Enterprises as at the date of this announcement.

Please refer to the section headed "Information on Easyknit Enterprises and the EE Group" for information on the net profits and net asset value of Easyknit Enterprises.

Consideration

The consideration of HK\$18,532,561.50 shall be satisfied in cash from internal resources of the EI Group. The Offeror shall pay Mr. Park a refundable deposit of HK\$9,266,280.80 upon the signing of the Conditional Share Purchase Agreement. The remaining consideration of HK\$9,266,280.70 shall be payable upon completion of the Conditional Share Purchase Agreement. The aforesaid refundable deposit shall be refunded, with interest accrued at prevailing deposit rate offered by The Hong

Kong and Shanghai Banking Corporation Limited on savings account, to the purchaser on demand within 7 business days (as defined therein) after 31 October 2011 if the conditions stated below are not fulfilled or waived on or before 31 October 2011.

The consideration of HK\$0.30 per EE Share was determined after arm's length negotiations between the Offeror and Mr. Park with reference to, inter alia, (i) the prevailing market conditions and the market prices of the EE Shares; and (ii) the market liquidity of the EE Shares.

Conditions of the Conditional Share Purchase Agreement

Completion of the Conditional Share Purchase Agreement shall be conditional upon:

- (1) the EE Shares remaining listed and traded on the Stock Exchange from the date of the Conditional Share Purchase Agreement up to and including the completion date save for a temporary suspension of dealings not exceeding 10 consecutive business days (as defined in the Listing Rules) or such longer period as the Offeror shall agree in writing;
- (2) no notification being received from the Stock Exchange or the Executive before the completion date (and remaining outstanding at the completion date) that the listing of the EE Shares shall or may be withdrawn or suspended at, upon or as a result of, completion for any reason;
- (3) Mr. Park not having breached any of his obligations, representations and undertakings under the Conditional Share Purchase Agreement before the completion date;
- (4) the EI Shareholders having approved the making of the Possible Offer by the Offeror at the SGM; and
- (5) the EI Shareholders having approved the Conditional Share Purchase Agreement and the transactions contemplated thereunder at the SGM.

The Offeror may at any time waive in writing the above conditions (1), (2) and (3), and such waiver may be made subject to such terms and conditions as are determined by the Offeror. Except for conditions (1), (2) and (3) above, none of the other conditions is capable of being waived.

Completion of the Conditional Share Purchase Agreement is expected to take place on the third Business Day after satisfaction or where applicable, waiver of the last of the above conditions or on any other date as may be agreed by the Offeror and Mr. Park in writing.

THE POSSIBLE OFFER

The Offeror (being the purchaser under the Conditional Share Purchase Agreement) is an indirect wholly-owned subsidiary of Easyknit International. Easyknit International is, through another wholly-owned subsidiary Landmark Profits, indirectly interested in approximately 31.7% of the issued share capital of Easyknit Enterprises.

Upon completion of the Conditional Share Purchase Agreement, the aggregate interests of Easyknit International, the Offeror and parties acting in concert with any of them, in Easyknit Enterprises will increase to approximately 42.92%. Accordingly, Easyknit International, the Offeror and parties acting in concert with any of them will be required under Rule 26.1(d) of the Takeovers Code to make the Possible Offer for all the EE Shares not already owned or agreed to be acquired by Easyknit International, the Offeror and parties acting in concert with any of them, at an offer price of HK\$0.30 per Offer Share, which is the same as the price under the Conditional Share Purchase Agreement.

Subject to completion of the Conditional Share Purchase Agreement, the Offeror intends to make the Possible Offer in cash (in compliance with the Takeovers Code) through Altus Investments on and subject to the terms set out in the Composite Offer Document to be despatched to the EE Shareholders and in the accompanying form of acceptance and transfer for the EE Shares, for all the EE Shares not already owned or agreed to be acquired by Easyknit International, the Offeror and parties acting in concert with any of them, at the Offer Price, on the following basis:

For each Offer Share HK\$0.30 payable in cash

As at the date of this announcement, Easyknit Enterprises has 550,686,675 EE Shares in issue. Assuming that there is no change in the issued share capital of Easyknit Enterprises prior to the making of the Possible Offer, at the Offer Price of HK\$0.30 per Offer Share, the entire issued share capital of Easyknit Enterprises would be valued at approximately HK\$165,206,003.

Based on the issued share capital of Easyknit Enterprises of 550,686,675 EE Shares as at the date of this announcement, and after deducting the 236,368,192 EE Shares owned and to be owned by Easyknit International (through Landmark Profits and the Offeror) after completion of the Conditional Share Purchase Agreement, there will be 314,318,483 EE Shares being subjected to the Possible Offer. The Possible Offer is valued at approximately HK\$94,295,545 based on the Offer Price.

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

The Offer Price represents:

- (a) a discount of approximately 14.30% over the closing price of HK\$0.350 per EE Share, as quoted on the Stock Exchange on 5 September 2011, being the last trading day for the EE Shares prior to the date of this announcement;
- (b) a discount of approximately 14.80% over the average closing price of HK\$0.352 per EE 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 announcement;
- (c) a discount of approximately 14.50% over the average closing price of HK\$0.351 per EE 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 announcement; and
- (d) a discount of approximately 73.70% to the audited consolidated net asset value per EE Share of approximately HK\$1.14 as at 31 March 2011.

During the six-month period preceding the date of this announcement, the highest closing price of the EE Shares as quoted on the Stock Exchange was HK\$0.41 per EE Share on 7 April, 8 April and 12 April 2011, and the lowest closing price of the EE Shares on the Stock Exchange was HK\$0.345 per EE Share on 26 August 2011.

There have been no dealings in the EE Shares by Easyknit International, the Offeror and parties acting in concert with any of them during the six-month period prior to the date of this announcement.

Conditions of the Possible Offer

The Possible Offer will not proceed if the Conditional Share Purchase Agreement does not complete.

When and if the Possible Offer proceeds, the Possible Offer is conditional upon 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 EE Shares, which together with the EE Shares already held by Easyknit International, the Offeror and parties acting in concert with any of them, constitute more than 50% of the voting rights of Easyknit Enterprises.

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

As at the date of this announcement, save for the transactions under the Conditional Share Purchase Agreement:

- (a) there are no existing holdings of voting rights or rights over EE Shares in respect of which Easyknit International, the Offeror or any parties acting in concert with any of them:
 - (i) has received an irrevocable commitment to accept the Possible Offer;
 - (ii) holds convertible securities, warrants or options;
- (b) there are no outstanding derivatives in respect of securities in Easyknit Enterprises entered into by Easyknit International, the Offeror or any parties acting in concert with any of them;
- (c) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of Easyknit International, the Offeror or Easyknit Enterprises, which might be material to the Possible Offer;
- (d) there are no agreements or arrangements to which Easyknit International, 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 Possible Offer; or
- (e) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Easyknit Enterprises which Easyknit International, the Offeror or any parties acting in concert with any of them has borrowed or lent.

Confirmation of financial resources

The cash consideration payable under the Possible Offer for all of the issued share capital of Easyknit Enterprises, other than EE Shares held and to be held by Easyknit International, the Offeror and parties acting in concert with any of them, is approximately HK\$94,295,545.

Altus Capital is satisfied that sufficient financial resources are available to the Offeror to complete the Share Purchase and to meet full acceptance of the Possible Offer.

Stamp duty

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

REASONS FOR THE SHARE PURCHASE AND THE POSSIBLE OFFER

As at the date of this announcement, Easyknit International through Landmark Profits owns approximately 31.70% of the issued share capital of Easyknit Enterprises.

In order to increase its degree of control over Easyknit Enterprises, Easyknit International through the Offeror entered into the Conditional Share Purchase Agreement, and intends to further increase its (and its concert parties') shareholding of Easyknit Enterprises to over 50% through the Possible Offer. Meanwhile, Easyknit International intends to maintain Easyknit Enterprises' existing businesses of garment sourcing and exporting and property investments. If Easyknit International increases its shareholding in Easyknit Enterprises to over 50%, the financial results of Easyknit Enterprises will be consolidated into the financial results of Easyknit International and Easyknit Enterprises will become a non-wholly owned subsidiary of Easyknit International.

The EI Directors believe that the terms of the Share Purchase and the Possible Offer are fair and reasonable and in the interests of the EI Shareholders as a whole.

INTENTIONS OF EASYKNIT INTERNATIONAL REGARDING THE EE GROUP

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

The Stock Exchange has stated that if, at the close of the Possible Offer, less than the minimum prescribed percentage applicable to Easyknit Enterprises, being 25% of the issued EE Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the EE Shares; or
- that there are insufficient EE Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the EE Shares.

Easyknit International intends to let Easyknit Enterprises to remain listed on the Stock Exchange. The EI Directors undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the EE Shares in the event that Easyknit International, the Offeror and parties acting in concert with any of them acquire more than 75% issued EE Shares pursuant to the Possible Offer.

It should therefore be noted that, upon completion of the Possible Offer, there may be insufficient public float for the EE Shares, and therefore trading in the EE Shares may be suspended until a prescribed level of public float is attained.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is indirectly wholly-owned by Easyknit International, which is engaged in the businesses of property investments and development, investment in securities and loan financing.

As at the date of this announcement, Easyknit International through Landmark Profits owns 174,592,987 EE Shares (representing approximately 31.70% of the issued share capital of Easyknit Enterprises). The Offeror is therefore acting in concert with Landmark Profits and Easyknit International.

Pursuant to Note 4 of Rule 2.4, Rule 2.4 of the Takeovers Code does not apply in the case of the Possible Offer as Easyknit International, the Offeror and parties acting in concert with any of them are the controlling shareholders of Easyknit Enterprises and the only conflict, or potential conflict, of interest arises as a result of four EI Directors, namely Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu, Ms. Koon Ho Yan, Candy and Mr. Tse Wing Chiu, Ricky, also being EE Directors. Each of Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu, Ms. Koon Ho Yan, Candy and Mr. Tse Wing Chiu, Ricky does not have any shareholding in Easyknit Enterprises.

INFORMATION ON EASYKNIT ENTERPRISES AND THE EE GROUP

Easyknit Enterprises was incorporated in Bermuda on 14 June 1991 and has been listed on the Stock Exchange since 1991. The EE Group is principally engaged in garment sourcing and exporting and property investments.

The audited consolidated net asset value of the EE Group as at 31 March 2010 and 2011, and its audited consolidated net profit/loss for the two years ended 31 March 2010 and 2011 are as follows:

	For the year ended	
	31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	347,992	31,210
Profits/(loss) before tax	69,999	(17,469)
Profits/(loss) after tax	65,060	(18,058)
Total assets	702,005	548,793
Total liabilities	<u>(73,643)</u>	<u>(58,810)</u>
Net asset value	<u>628,362</u>	<u>489,983</u>

Further information relating to Easyknit Enterprises and the EE Group will be included in the Circular to be despatched to the EI Shareholders and the Composite Offer Document to be despatched to the EE Shareholders.

SHAREHOLDING STRUCTURE

As at the date of this announcement, there are 550,686,675 EE Shares in issue. Other than the EE Shares, there are no convertible securities, warrants, options, derivatives or other securities convertible into EE Shares issued by Easyknit Enterprises. The following is the shareholding structure of Easyknit Enterprises as at the date of this announcement (based on relevant filings under Part XV of the SFO — Disclosure of Interests) and immediately after completion of the Conditional Share Purchase Agreement.

Name of EE Shareholder	As at the date of this announcement		Immediately upon completion of the Conditional Share Purchase Agreement	
	Number of EE Shares held	Approximate percentage of existing EE Shares	Number of EE Shares held	Approximate percentage of existing EE Shares
<i>Easyknit International, the Offeror and parties acting in concert with any of them</i>				
Landmark Profits	174,592,987	31.70%	174,592,987	31.70%
The Offeror	—	—	<u>61,775,205</u>	<u>11.22%</u>
Subtotal	174,592,987	31.70%	236,368,192	42.92%
<i>Other substantial EE Shareholders</i>				
Mr. Park	61,775,205	11.22%	—	—
Mr. Daswani Rajkumar Murlidhar	159,704,216	29.00%	159,704,216 (Note)	29.00% (Note)
<i>Other EE Shareholders</i>				
Public	<u>154,614,267</u>	<u>28.08%</u>	<u>154,614,267</u>	<u>28.08%</u>
Total	<u>550,686,675</u>	<u>100.00%</u>	<u>550,686,675</u>	<u>100.00%</u>

Note: Assuming there is no change in the shareholding of Mr. Daswani Rajkumar Murlidhar between the date of this announcement and the date of completion of the Conditional Share Purchase Agreement.

By virtue of Mr. Daswani Rajkumar Murlidhar's 29.0% shareholding in Easyknit Enterprises, he is presumed to be acting in concert with Easyknit International which through its wholly-owned subsidiary controls 31.70% voting rights in Easyknit Enterprises under the definition of acting in concert under the Takeovers Code. In this connection, Easyknit International has applied to, and obtained a confirmation from the Executive that Mr. Daswani Rajkumar Murlidhar will not be treated as a party acting in concert with Easyknit International.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Conditional Share Purchase Agreement exceed 25% but are less than 100%, the Conditional Share Purchase Agreement and the transactions contemplated thereunder constitutes a major transaction of Easyknit International under Rule 14.08 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the value of the Possible Offer exceeds 100%, the Possible Offer and the transactions contemplated thereunder will constitute a very substantial acquisition of Easyknit International under Rule 14.08 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, Mr. Park owns 20 EI Shares. As Mr. Park, by virtue of being the vendor of the Share Purchase, is considered to have a material interest different to other EI Shareholders, he and his associates, if they still hold EI Shares at the time of the SGM, are required to abstain from voting in respect of the resolutions approving the Conditional Share Purchase Agreement and the making of the Possible Offer above. Other than Mr. Park and his associates, no other EI Shareholder is required to abstain from voting on the resolutions approving the Conditional Share Purchase Agreement and the making of the Possible Offer.

GENERAL MATTERS RELATING TO THE MAJOR TRANSACTION AND VERY SUBSTANTIAL ACQUISITION

The Circular containing inter alia, (i) further details of the Conditional Share Purchase Agreement; (ii) further details of the Possible Offer; (iii) the valuation reports on the properties owned by Easyknit International and Easyknit Enterprises; (iv) relevant financial information of Easyknit International and Easyknit Enterprises; and (v) the notice of SGM, is expected to be despatched to the EI Shareholders on or before 30 September 2011.

GENERAL MATTERS RELATING TO THE POSSIBLE OFFER

Availability of the Possible Offer

Upon completion of the Conditional Share Purchase Agreement, the Composite Offer Document together with the related acceptance and transfer forms will be sent to all EE Shareholders, including those with a registered address outside Hong Kong. However, the availability of the Possible 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 of Easyknit Enterprises

An independent board committee comprising all the non-executive EE Directors all of whom are independent of the Offeror, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming, and Mr. Foo Tak Ching, will be appointed to advise the EE Shareholders (other than Easyknit International, the Offeror and persons acting in concert with any of them) in respect of the Possible Offer. Mr. Tse Wing Chiu, Ricky, being another non-executive EE Director, is also a non-executive EI Director. In order to avoid any conflict of interests, Mr. Tse Wing Chiu, Ricky will not be a member of the aforesaid independent board committee.

A further announcement will be made by Easyknit Enterprises 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

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

As the Composite Offer Document will be posted only upon completion of the Conditional Share Purchase Agreement, the posting date will be more than 21 days from the date of this announcement. Pursuant to Note 2 of Rule 8.2, the Offeror will seek the consent of the Executive in dispensing with the requirement on strict compliance with Rule 8.2.

It is expected that the Composite Offer Document will be posted within 7 days of completion of the Conditional Share Purchase Agreement. EE Shareholders are encouraged to read the Composite Offer Document carefully before deciding whether or not to accept the Possible Offer.

Completion of the Possible Offer

If the conditions to the Possible Offer are not satisfied (or, if permissible, waived) on or before the Closing Date, the Possible 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 Possible Offer unconditional is the Long Stop Date. An announcement will be made to EE Shareholders both when the Possible 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, the associates (including a person who owns or controls 5% or more of any class of relevant securities (as defined under Note 4 to Rule 22)) of the Offeror are reminded to disclose their dealings in the securities of Easyknit Enterprises pursuant to Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

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 (including 5% shareholders under class (6) of the definition of associates under the Takeovers Code) 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 Rules (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 7-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.”

SUSPENSION AND RESUMPTION OF TRADING IN THE EI SHARES AND THE EE SHARES

At the requests of Easyknit International and Easyknit Enterprises, trading in the EI Shares and EE Shares on the Stock Exchange was suspended with effect from 9.00 am on 6 September 2011, pending the release of this announcement. Applications have been made by Easyknit International and Easyknit Enterprises to the Stock Exchange for resumption of trading in the EI Shares and EE Shares with effect from 9.00 am on 14 September 2011.

The Conditional Share Purchase Agreement is subject to the conditions described in “Conditions of the Conditional Share Purchase Agreement” and the obligation to make Possible Offer will not be triggered if the Conditional Share Purchase Agreement does not complete and accordingly the Conditional Share Purchase Agreement and the Possible Offer may or may not proceed. In addition, the Possible Offer may lapse if it does not become unconditional. Shareholders of, and potential investors in, Easyknit International and Easyknit Enterprises are advised to exercise extreme caution when dealing in the securities of Easyknit International and Easyknit Enterprises.

DEFINITIONS

The following terms are used in this 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 SFO, the financial adviser to Easyknit International

“Altus Investments”	Altus Investments Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
“Business Day(s)”	a day (other than a Saturday and Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“Circular”	the circular containing further information on the Share Purchase and the Possible Offer and the notice of SGM to approve the relevant resolutions
“Closing Date”	the date, to be stated in the Composite Offer Document, that is the first closing date of the Possible 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 Enterprises and its subsidiaries, the terms and conditions of the Possible Offer, the recommendation of the independent board committee of Easyknit Enterprises established in respect of the Possible Offer and the advice of the independent financial adviser to the independent board committee in respect of the Possible Offer, together with forms of acceptance and transfer to be despatched to the EE Shareholders
“Conditional Share Purchase Agreement”	the conditional agreement dated 12 September 2011 entered into between Goodco as purchaser and Mr. Park as vendor in respect of the Share Purchase
“Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability on 14 June 1991, the shares of which are listed on the main board of the Stock Exchange
“EE Director(s)”	director(s) of Easyknit Enterprises
“EE Group”	Easyknit Enterprises and its subsidiaries

“EE Share(s) “	share(s) of HK\$0.01 each in the share capital of Easyknit Enterprises
“EE Shareholder(s)”	holder(s) of EE Share(s)
“Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability on 8 September 1994, the shares of which are listed on the main board of Stock Exchange
“EI Director(s)”	director(s) of Easyknit International
“EI Group”	Easyknit International and its subsidiaries
“EI Share(s)”	share(s) of HK\$0.10 each in the share capital of Easyknit International
“EI Shareholder(s)”	holder(s) of EI Share(s)
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	person(s) or company(ies) who, to the best of the EI Directors’ knowledge, information and belief having made all reasonable enquiries, are independent of Easyknit International and its connected person(s) (as defined in the Listing Rules)
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands on 8 January 2003 with limited liability, and a wholly-owned subsidiary of Easyknit International holding 174,592,987 EE Shares, representing approximately 31.70% of the issued EE Shares as at the date of this announcement
“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)
“Mr. Park”	Mr. Park Jong Yong, who is a shareholder of Easyknit Enterprises with approximately 11.22% shareholding interests in Easyknit Enterprises as at the date of this announcement, and the vendor under the Conditional Share Purchase Agreement, and an Independent Third Party
“Offer Price”	HK\$0.30 payable in cash by the Offeror to the EE Shareholders per Offer Share
“Offer Share(s)”	EE Share(s) not already owned or agreed to be acquired by Easyknit International, the Offeror and parties acting in concert with any of them
“Offeror” or “Goodco”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability on 8 March 2011 and is wholly-owned by Easyknit International
“PRC”	the People’s Republic of China
“Possible Offer”	the possible mandatory conditional offer to be made (in compliance with the Takeovers Code) for all the EE Shares not already owned or agreed to be acquired by Easyknit International, the Offeror and parties acting in concert with any of them, at an offer price of HK\$0.30 per Offer Share
“SFO”	Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“SGM”	the special general meeting of Easyknit International to be held at which resolutions will be proposed to consider and, if thought fit, approve the Share Purchase and the making of the Possible Offer
“Share Purchase”	the conditional purchase of 61,775,205 EE Shares by Goodco from Mr. Park under the Conditional Share Purchase Agreement

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Takeovers Code”

the Hong Kong Code on Takeovers and Mergers

By Order of the Board
**EASYKNIT INTERNATIONAL
HOLDINGS LIMITED**

Kwong Jimmy Cheung Tim
President and Chief Executive Officer

By Order of the Board
**EASYKNIT ENTERPRISES
HOLDINGS LIMITED**

Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

Hong Kong, 12 September 2011

As at the date hereof, the board of directors of Easyknit International Holdings Limited 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 board of directors of Easyknit Enterprises Holdings Limited 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. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching as independent non-executive directors.

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

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