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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)

**MAJOR TRANSACTION
DISPOSAL OF SHARES BY WAY OF
PLACING OF EXISTING EE SHARES
HELD BY GOODCO**

**RESTORATION
OF
PUBLIC FLOAT**

Placing Agent



KINGSTON SECURITIES LTD.

PLACING OF EXISTING EE SHARES BY EASYKNIT INTERNATIONAL

Goodco, a wholly-owned subsidiary of Easyknit International and the majority shareholder of Easyknit Enterprises has, on 21 December 2011, after trading hours, entered into the Placing Agreement with the Placing Agent, pursuant to which 47,000,000 Placing Shares owned by Goodco will be placed to the Placee(s) at the Placing Price of HK\$0.27 per EE Share by the Placing Agent on a fully underwritten basis.

The Placing Price represents a discount of approximately 10% to the closing price of HK\$0.30 per EE Share quoted on the Stock Exchange on 21 December 2011 and a discount of approximately 10% to the average closing price of HK\$0.30 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 21 December 2011.

The Placing Shares represent approximately 8.53% of the existing issued share capital of Easyknit Enterprises.

The applicable percentage ratios of the transaction under the Placing exceed 25% but are less than 75%, and therefore the Placing constitutes a major transaction for Easyknit International under Rule 14.06(3) of the Listing Rules in relation to the disposal of EE Shares. The Placing Agreement and the transaction contemplated thereunder, including the Placing, are therefore subject to the requirements of reporting, announcement and the approval of shareholders of Easyknit International under the Listing Rules.

** for identification only*

So far as Easyknit International is aware, having made all reasonable enquiries, no shareholder of Easyknit International has a material interest in, and would be required to abstain from voting on the resolution to approve the Placing if Easyknit International were to convene a general meeting for approving the Placing. Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval of Easyknit International has been obtained from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.69% of the issued shares of Easyknit International.

A circular containing, amongst other things, details of the terms of the Placing will be despatched to shareholders of Easyknit International on or before 16 January 2012.

RESTORATION OF PUBLIC FLOAT OF EASYKNIT ENTERPRISES

Upon completion of the Placing, the public float of the Easyknit Enterprises will be restored to 27.64% of the issued share capital of the Easyknit Enterprises in compliance with the minimum public float requirement under Rule 8.08 of the Listing Rules.

Reference is made to the joint announcement issued by Easyknit International and Easyknit Enterprises dated 11 November 2011 regarding the insufficient public float of Easyknit Enterprises at the close of the mandatory general offer made by Easyknit International through Goodco.

PLACING AGREEMENT DATED 21 DECEMBER 2011

Parties

The parties to the Placing Agreement are:

- (1) Goodco, the vendor, being a wholly-owned subsidiary of Easyknit International and the majority shareholder of Easyknit Enterprises. As at the date of the Placing Agreement, Goodco and parties acting in concert with it holds 445,450,671 EE Shares, representing 80.89% of the existing issued share capital of Easyknit Enterprises; and
- (2) the Placing Agent.

Placing Agent

The Placing Agent has agreed to place 47,000,000 Placing Shares on a fully underwritten basis.

The Placing Agent is interested in 350 EE Shares as at the date of this announcement. To the best of the knowledge, information and belief of the Easyknit International directors and Easyknit Enterprises directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with Easyknit International and Easyknit Enterprises and their connected persons.

Placees

The Placing Shares will be placed to no fewer than six Placees. The Placees and their

respective beneficial owners (which will be professional, institutional, corporate and/or individual investors) will be independent of and not connected with Easyknit International or any person acting in concert with it.

The Placees will also be independent of, and not connected with, or acting in concert with Easyknit Enterprises, any of the directors, chief executives or substantial shareholders of Easyknit Enterprises, or any of their subsidiaries or any of their respective associates. Easyknit Enterprises does not expect that any Placee will become its substantial shareholder.

Number of EE Shares to be placed

The Placing Shares represent approximately 8.53% of the existing issued share capital of Easyknit Enterprises.

Placing Price

The Placing Price of HK\$0.27 per EE Share was arrived at arm's length negotiation between Goodco and the Placing Agent and represents:

- (a) a discount of approximately 10% to the closing price of HK\$0.30 per EE Share quoted on the Stock Exchange on 21 December 2011, being the last trading day of the EE Shares before the date of this announcement; and
- (b) a discount of approximately 10% to the average closing price of HK\$0.30 per EE Share as quoted on the Stock Exchange for the last 5 trading days up to and including 21 December 2011, being the last trading day of the EE Shares before the date of this announcement.

The Placing Agent will charge a placing commission of 1.0% on the gross proceeds of the actual number of Placing Shares being placed. All the expenses in relation to the Placing shall be borne by Goodco. The proceeds from the Placing will be settled in cash.

Rights

The Placing Shares will be sold free of all liens, charges, encumbrances and together with all rights attaching thereto including the right to receive all dividends or other distribution declared, made or paid on the Placing Shares at any time on or after the completion of the Placing.

Termination / Force Majeure

The Placing is conditional upon the approval of the Placing by shareholders of Easyknit International. As discussed below, such approval has been obtained by way of a written shareholders approval as at the date of this announcement. The Placing Agent is entitled to terminate the Placing Agreement on the occurrence of certain events including a material breach of the representation, warranties and undertakings given by Goodco that is materially adverse to the success of the Placing, or a material adverse change in the financial or trading position of the Easyknit Enterprises as a whole that is materially adverse to the success of the Placing or an event of force majeure.

Completion of Placing

The Placing is expected to be completed on or around 9 January 2012.

Upon completion of the Placing, the interest of Easyknit International in Easyknit Enterprises will reduce from approximately 80.89% to 72.36% of the existing issued share capital of Easyknit Enterprises.

Further announcement will be made by Easyknit International and Easyknit Enterprises on the completion of the Placing.

EFFECTS ON SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES

Set out below is the shareholding structure of Easyknit Enterprises (i) immediately before the completion of the Placing; and (ii) immediately after the completion of the Placing:

| | Immediately before the completion of the Placing | | Immediately after the completion of the Placing | |
|--|---|------------------|--|------------------|
| | EE Shares | Approximate % | EE Shares | Approximate % |
| Easyknit International and parties acting in concert with it | 445,450,671 | 80.89 | 398,450,671 | 72.36 |
| Public shareholders | 105,236,004 | 19.11 | 152,236,004 | 27.64 |
| Total | 550,686,675 | 100.00 | 550,686,675 | 100.00 |

Easyknit Enterprises will continue to be a subsidiary of Easyknit International after completion of the Placing.

INFORMATION ON EASYKNIT INTERNATIONAL, GOODCO AND EASYKNIT INTERNATIONAL

Easyknit International is principally engaged in the business of property investments and development, investment in securities and loan financing.

Goodco is an investment holding company.

Easyknit Enterprises is principally engaged in garment sourcing and exporting and property investments.

MAJOR TRANSACTION

The applicable percentage ratios of the transaction under the Placing exceed 25% but are less than 75%, and therefore the Placing constitutes a major transaction for Easyknit International under Rule 14.06(3) of the Listing Rules in relation to the disposal of the EE Shares. The Placing Agreement and the transaction contemplated thereunder including the Placing, are therefore subject to the requirement of reporting, announcement and the approval of shareholders of Easyknit International under the Listing Rules.

So far as Easyknit International is aware, having made all reasonable enquiries, no shareholder of Easyknit International has a material interest in, and would be required to abstain from voting on the resolution to approve the Placing if Easyknit International were to convene a general meeting for approving the Placing. Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval of Easyknit International has been obtained from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.69% of the issued shares of Easyknit International. Sea Rejoice Limited, which holds 17,429,664 shares, representing approximately 21.95% of the issued shares of Easyknit International, is wholly-owned by Ms. Lui Yuk Chu, the vice president and an executive director of Easyknit International and Easyknit Enterprises. Magical Profits Limited, which holds 29,179,480 shares, representing approximately 36.74% of the issued shares of Easyknit International is wholly-owned by Hang Seng Bank Trustee International Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members (including Ms. Koon Ho Yan Candy, the daughter of Ms. Lui Yuk Chu and an executive director of Easyknit International and Easyknit Enterprises) other than the spouse of Ms. Lui Yuk Chu). Sea Rejoice Limited and Magical Profits Limited are therefore a "closely allied group of shareholders" for the purpose of the Listing Rules.

In compliance with Rule 14.60(7), a circular containing, amongst other things, details of the terms of the Placing will be despatched to the shareholders of Easyknit International on or before 16 January 2012.

EFFECT OF THE MAJOR TRANSACTION

As disclosed in the interim report of Easyknit Enterprises for the six months ended 30 September 2011, the unaudited consolidated net asset value of the Easyknit Enterprises was approximately HK\$605,994,000.

As disclosed in the annual report of Easyknit Enterprises for the year ended 31 March 2011, set out below is the audited net profit (loss) and after tax of the Easyknit Enterprises for the two financial years ended 31 March 2010 and 2011:

| | For the year ended 31 March | |
|--------------------------|--|--------------|
| | 2011 | 2010 |
| Profit (loss) before tax | 69,999,000 | (16,837,000) |
| Profit (loss) after tax | 65,060,000 | (18,058,000) |

Upon completion of the Placing, the shareholding in Easyknit Enterprises held by Easyknit International will reduce from approximately 80.89% to 72.36%. Easyknit Enterprises will continue to be a subsidiary of Easyknit International. It is estimated that, upon completion of Placing, the Group will record a realized loss (before expenses) of HK\$1,410,000 which is calculated on the basis of the difference between Placing Price per Placing Share and the offer price per EE Share in the mandatory general offer made by Easyknit International through Goodco.

Based on the audited consolidated financial statements of Easyknit Enterprises as at 31 March 2011, it is expected that equity attributable to owners of Easyknit International will be decreased by about HK\$53,599,000 as a result of the disposal of the net 8.53% interest

in the issued share capital of Easyknit Enterprises by reason of the Placing. The above expected decrease in the equity attributable to owners of Easyknit International represents the decrease in equity interests in Easyknit Enterprises from 80.89% to and 72.36%.

REASONS FOR THE PLACING AND RESTORATION OF PUBLIC FLOAT

Upon the close of the mandatory general offer made by Easyknit International through Goodco on 11 November 2011, 105,236,004 EE Shares, representing approximately 19.11% of the issued share capital of Easyknit Enterprises are held by the public. Accordingly, Easyknit Enterprises cannot fulfill the minimum public float requirement under Rule 8.08 of the Listing Rules. The public float of Easyknit Enterprises has been below 25% since the close of the offer on 11 November 2011.

Goodco and Easyknit Enterprises have undertaken to restore the public float of Easyknit Enterprises, which is a continued obligation under the Listing Rules. Therefore the Placing is a must. A waiver from the strict compliance with the requirement of Rule 8.08(1)(a) of the Listing Rule for Easyknit Enterprises has been granted by the Stock Exchange until 9 January 2012. The directors of Easyknit International and Easyknit Enterprises has considered various ways of restoring the public float of Easyknit Enterprises (including the placing of new EE Shares as well as the placing of existing EE Shares by Easyknit International) and consider that the Placing represents an opportunity to broaden the shareholder base of the Easyknit Enterprises.

Upon completion of the Placing, the public float of Easyknit Enterprises will be restored to 27.64% of the issued share capital of Easyknit Enterprises in compliance with the public float requirement. The proceeds HK\$12,690,000 net of all relevant expenses will be used as working capital.

The directors of Easyknit International considered the terms of the Placing Agreement to be fair and reasonable and in the interests of Easyknit Enterprises and its shareholders as a whole.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

| | |
|--------------------------|---|
| “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; |
| “Easyknit International” | 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 and a majority shareholder of Easyknit Enterprises; |

| | |
|---------------------|--|
| “Goodco” | Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Placee(s)” | To the best of the directors of Easyknit International’s knowledge, information and belief having made all reasonable enquiry, independent institutional, corporate or individual investor(s) to be procured by the Placing Agent on a fully underwritten basis; |
| “Placing” | the placing of the Placing Shares pursuant to the Placing Agreement; |
| “Placing Agent” | Kingston Securities Limited, a licensed corporation to carry out business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “Placing Agreement” | the placing agreement dated 21 December 2011 and entered into between Goodco and the Placing Agent in relation to the Placing; |
| “Placing Price” | HK\$0.27 per Placing Share; |
| “Placing Share(s)” | 47,000,000 EE Shares to be placed by the Placing Agent pursuant to the Placing Agreement; |
| “EE Shares” | shares at HK\$0.01 each in the share capital of Easyknit Enterprises; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “HK\$” | Hong Kong dollars. |

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, 21 December 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.