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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)

DISCLOSEABLE TRANSACTION

**DEEMED DISPOSAL OF INTERESTS
IN EASYKNIT ENTERPRISES**

**PLACING OF NEW SHARES
UNDER GENERAL MANDATE**

Placing Agent



KINGSTON SECURITIES LTD.

THE PLACING

On 18 July 2012, after trading hours, Easyknit Enterprises and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, to not less than six independent Placees for up to 114,700,000 new EE Shares at a price of HK\$0.106 per Placing Share.

The maximum of 114,700,000 Placing Shares under the Placing represents approximately 17.70% of the entire issued share capital of Easyknit Enterprises as at the date of this announcement and approximately 15.04% of the enlarged issued share capital of Easyknit Enterprises after the Placing.

The Placing is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares. If such condition is not fulfilled, the Placing will not proceed.

LISTING IMPLICATION TO EASYKNIT INTERNATIONAL

Easyknit International has 61.47% shareholding in Easyknit Enterprises. Easyknit Enterprises is a subsidiary of Easyknit International.

For Easyknit International, the Placing is a deemed disposal of interests in Easyknit Enterprises as its shareholding will decline from 61.47% currently to 52.23% after the Placing. The applicable percentage ratios of the transaction under the Placing exceed 5% but are less than 25%, and therefore the Placing constitutes a discloseable transaction for Easyknit International under Rule 14.06(2) of the Listing Rules. The Placing Agreement and the transaction contemplated thereunder, including the Placing, are therefore subject to the requirements of reporting and announcement under the Listing Rules.

** for identification only*

As the Placing Agreement may or may not complete, EE Shareholders and potential investors are advised to exercise caution when dealing in the EE Shares.

THE PLACING AGREEMENT

Date

18 July 2012, after trading hours

Parties

- (a) Easyknit Enterprises; and
- (b) the Placing Agent

To the best of the EE Directors' knowledge, information and belief and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Shares will be placed to not less than six Placees and their ultimate beneficial owners will be Independent Third Parties.

Placing Shares

Up to 114,700,000 Placing Shares will be placed by the Placing Agent on a best effort basis. The Placing Shares represent (i) approximately 17.70% of the entire issued share capital of Easyknit Enterprises of 648,156,675 EE Shares as at the date of this announcement; and (ii) approximately 15.04% of the enlarged issued share capital of Easyknit Enterprises of 762,856,675 EE Shares after the Placing.

Ranking of Placing Shares

The Placing Shares will, upon issue, rank pari passu in all respects with the EE Shares which are in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.106 per Placing Share was agreed after arm's length negotiations between Easyknit Enterprises and the Placing Agent, with reference to, amongst other things, the recent trading price of the EE Shares on the Stock Exchange. The Placing Price represents:

- (i) a par to the closing price of HK\$0.106 per EE Share as quoted on the Stock Exchange on 18 July 2012, being the last trading day immediately prior to the entering into of the Placing Agreement; and
- (ii) a discount of approximately 0.75% to the average closing price of approximately HK\$0.1068 per EE Share as quoted on the Stock Exchange for the last 5 trading days of the EE Shares immediately prior to the entering into of the Placing Agreement.

Placing Commission

The Placing Agent will receive a placing commission of 1% on the gross proceeds of the Placing.

General Mandate

The Placing Shares will be issued pursuant to the general mandate to allot, issue and deal with up to 129,631,335 EE Shares, which was granted to the EE Directors by a resolution of the EE Shareholders passed at the annual general meeting of Easyknit Enterprises on 29 June 2012.

As at the date of this announcement, no EE Share has been issued pursuant to the said general mandate.

Condition Precedent

The Placing and the obligations of the Placing Agent under the Placing Agreement are conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the Placing Shares.

Application will be made to the Stock Exchange for approval for the listing of and permission to deal in the Placing Shares. The Placing is not subject to EE Shareholders' approval.

Completion

Completion shall take place as soon as possible following the satisfaction of the condition set out above and in any event not later than 4 business days immediately following the satisfaction of the condition (or such other date to be agreed by the parties) and at a time and place to be agreed between the Placing Agent and Easyknit Enterprises.

If the condition precedent of the Placing is not fulfilled on or before the Long Stop Date, the Placing Agreement shall terminate and neither the Placing Agent nor the Company will have any claim against the other for costs, damages, compensation or otherwise except for any antecedent breach of the Placing Agreement.

Further announcement will be made by Easyknit Enterprises upon the completion of the Placing.

Termination / Force Majeure

The Placing Agent is entitled to terminate the Placing Agreement on the occurrence of certain events including a material breach of the representations, warranties and undertakings given by Easyknit Enterprises that is materially adverse to the success of the Placing, or a material adverse change in the financial or trading position of Easyknit Enterprises as a whole that is materially adverse to the success of the Placing or an event of force majeure.

As the Placing Agreement may or may not complete, EE Shareholders and potential investors are advised to exercise caution when dealing in the EE Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The EE Directors and EI Directors consider that the Placing will strengthen the financial position of Easyknit International, Easyknit Enterprises and their subsidiaries. Both the EE Directors and EI Directors are of the view that the Placing is fair and reasonable and in the interests of both Easyknit Enterprises and Easyknit International; and the EE Shareholders and EI Shareholders as a whole.

Assuming all the Placing Shares are successfully placed by the Placing Agent, the gross proceeds from the Placing will be approximately HK\$12,158,000. The net proceeds, after deducting the placing commission and other related expenses, will be approximately HK\$12,000,000 and are intended to be used as general working capital for the Easyknit International, Easyknit Enterprises and their subsidiaries. The EE Directors intend to apply the net proceeds to the fitting and renovation of the properties under the property investment segment and the general working capital of Easyknit Enterprises.

FUND RAISING EXERCISES DURING THE PAST 12 MONTHS

Set out below is the equity fund raising activities conducted by Easyknit Enterprises in the past 12 months prior to the date of this announcement:

<u>Date of announcement</u>	<u>Description of fund raising exercises</u>	<u>Net proceeds raised</u>	<u>Intended use of net proceeds</u>	<u>Actual use of net proceeds</u>
30 May 2012	Placing of 97,470,000 new shares under general mandate	Approximately HK\$13,600,000	To fund the general working capital of Easyknit International, Easyknit Enterprises and their subsidiaries	Used as intended

Save as disclosed above, the Company had not carried out any equity fund raising exercise in the twelve months period immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES

For illustration purpose, the shareholding structure of Easyknit Enterprises immediately before and after the completion of the Placing is set out below:

	As at the date of this announcement		Immediately after completion of the Placing	
	No. of EE Shares	Approximate %	Number of EE Shares	Approximate %
Easyknit International and parties acting in concert with it	398,450,671	61.47	398,450,671	52.23
Placees	0	0	114,700,000	15.04
Public shareholders	249,706,004	38.53	249,706,004	32.73
Total	648,156,675	100.00	762,856,675	100.00

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

INFORMATION ON EASYKNIT INTERNATIONAL AND EASYKNIT ENTERPRISES

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

Easyknit Enterprises is principally engaged in garment sourcing and export, property investments and investment in securities.

EFFECT OF THE PLACING TO EASYKNIT INTERNATIONAL

As disclosed in the annual report of Easyknit Enterprises for the year ended 31 March 2012, the audited consolidated net asset value of the Easyknit Enterprises was approximately HK\$594,764,000 and set out below is the audited net profit (loss) before and after tax of Easyknit Enterprises for the two financial years ended 31 March 2011 and 2012:

	For the year ended 31 March	
	2012	2011
Profit (loss) before tax (HK\$)	(41,955,000)	49,816,000
Profit (loss) after tax (HK\$)	(44,015,000)	44,877,000

Upon completion of the Placing, the shareholding in Easyknit Enterprises held by Easyknit International will reduce from approximately 61.47% to 52.23%. Easyknit Enterprises will continue to be a subsidiary of Easyknit International.

Based on the audited consolidated financial statements of Easyknit Enterprises as at 31 March 2012, it is expected that the equity attributable to owners of Easyknit International will be decreased by approximately HK\$54,956,000 as a result of the deemed disposal of approximately 9.24% equity interest in the issued share capital of Easyknit Enterprises from approximately 61.47% to and 52.23% by reason of the Placing.

LISTING IMPLICATION TO EASYKNIT INTERNATIONAL

Easyknit International has 61.47% shareholding interests Easyknit Enterprises. Easyknit Enterprises is a subsidiary of Easyknit International.

For Easyknit International, the Placing is a deemed disposal of their interest in Easyknit Enterprises as its shareholding will decline from 61.47% currently to 52.23% after the Placing. The applicable percentage ratios of the transaction under the Placing exceed 5% but are less than 25%, and therefore the Placing constitutes a discloseable transaction for Easyknit International under Rule 14.06(2) of the Listing Rules in relation to the deemed disposal of interest in Easyknit Enterprises. The Placing Agreement and the transaction contemplated thereunder, including the Placing, are therefore subject to the requirements of reporting and announcement under the Listing Rules.

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
“EE Directors”	the directors of Easyknit Enterprises
“EE Shareholders”	holders of EE Shares
“EE Shares”	share at HK\$0.01 each in the share capital of Easyknit Enterprises
“EI Directors”	the directors of Easyknit International
“EI Shareholders”	holders of Easyknit International shares
“Independent Third Parties”	parties which are not connected persons of Easyknit Enterprises and are independent of Easyknit Enterprises and its connected person
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	18 October 2012 or such later date to be agreed between Easyknit Enterprises and the Placing Agent in writing
“Placee(s)”	independent professional, institutional or individual investors to be procured by the Placing Agent on a best effort 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 18 July 2012 entered into between Easyknit Enterprises and the Placing Agent in relation to the Placing;
“Placing Price”	HK\$0.106 per Placing Share
“Placing Share(s)”	a maximum of 114,700,000 new EE Shares to be placed by the Placing Agent pursuant to the Placing Agreement
“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, 18 July 2012

As at the date hereof, the board of directors 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 board of directors of Easyknit Enterprises 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.