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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

**PLACING OF NEW SHARES
UNDER GENERAL MANDATE**

**DEEMED DISPOSAL OF INTERESTS
IN EASYKNIT ENTERPRISES**

Placing Agent



KINGSTON SECURITIES LTD.

THE PLACING

On 11 September 2013, 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 of up to 329,540,000 new EE Shares at a price of HK\$0.063 per Placing Share.

The maximum number of 329,540,000 Placing Shares under the Placing represents approximately 20.0% of the entire issued share capital of Easyknit Enterprises as at the date of this announcement and approximately 16.67% of the enlarged issued share capital of Easyknit Enterprises after the Placing.

The Placing is conditional upon, among other things, (if necessary) the approval by the EI Shareholders at the general meeting of Easyknit International of the dilution of Easyknit International's shareholdings in Easyknit Enterprises as a result of the Placing Agreement and the transactions contemplated hereby and/or all other consents and acts required under the Listing Rules having been obtained and completed; and the Listing Committee of the Stock Exchange (the "Listing Committee") granting the listing of and permission to deal in the Placing Shares. If the conditions precedent are not fulfilled, the Placing will not proceed.

** for identification only*

EFFECT OF THE PLACING ON EASYKNIT INTERNATIONAL

As at the date of this announcement, Easyknit International has 43.52% shareholding in Easyknit Enterprises which is a subsidiary of Easyknit International.

The Placing will have the effect of diluting all existing EE Shareholders' percentage shareholdings in Easyknit Enterprises. So far as Easyknit International is concerned, its percentage share of the issued share capital of Easyknit Enterprises will be diluted approximately from 43.52% to approximately 36.27%. Pursuant to Rule 14.31 of the Listing Rules, the Deemed Disposal constitutes a major transaction to Easyknit International and upon completion, Easyknit Enterprises will no longer be subsidiary of Easyknit International and its financial position and results will not be consolidated into those of Easyknit International. Easyknit Enterprises will be accounted for an associate of Easyknit International.

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

THE PLACING AGREEMENT

Date

11 September 2013, 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 fewer than six Placees which are independent professional, institutional or other investors, and who and whose ultimate beneficial owners are third parties independent of and not connected or acting in concert with any directors, chief executive or substantial shareholders of Easyknit Enterprises or its subsidiaries or any of their respective associates. None of the Placees will become a substantial shareholder (as defined in the Listing Rules) of Easyknit Enterprises as a result of the Placing.

Placing Shares

Up to 329,540,000 Placing Shares will be placed by the Placing Agent on a best effort basis. The Placing Shares represent (i) approximately 20.0% of the entire issued share capital of Easyknit Enterprises of 1,647,766,000 EE Shares as at the date of this announcement; and (ii) approximately 16.67% of the enlarged issued share capital of Easyknit Enterprises of 1,977,306,000 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\$0.063 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 discount of approximately 1.563% to the closing price of HK\$0.064 per EE Share as quoted on the Stock Exchange on 11 September 2013, being the last trading day immediately prior to the entering into of the Placing Agreement; and
- (ii) a discount of approximately 7.895% to the average closing price of approximately HK\$0.0684 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.

General Mandate

The Placing Shares will be issued pursuant to the general mandate to allot, issue and deal with up to 329,540,000 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 2 August 2013.

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

Conditions Precedent

The Placing is conditional upon, amongst others:

1. (if necessary) the approval by the EI Shareholders at the general meeting of Easyknit International of the dilution of Easyknit International's shareholdings in Easyknit Enterprises as a result of the Placing Agreement and the transactions contemplated hereby and/or all other consents and acts required under the Listing Rules having been obtained and completed;
2. the Listing Committee having granted listing of, and permission to deal in, the EE Shares to be issued under the Placing, and such listing and permission not having been subsequently revoked;
3. the Bermuda Monetary Authority having granted all, and not revoking any necessary approvals and permissions for the creation, allotment and issue of new EE Shares to be issued under the Placing; and
4. the obligations of the Placing Agent under this Placing Agreement not being terminated in accordance with the terms hereof, including provisions regarding force majeure event.

If the conditions precedent of the Placing are not fulfilled on or before the Long Stop Date,

the Placing Agreement and the obligations of the parties thereunder shall cease and terminate at that time and neither Easyknit Enterprises nor the Placing Agent shall be under any liability to the other under the Placing Agreement, save for the liability in respect of any antecedent breach of the Placing Agreement.

Completion

Completion, in any event, will take place within four business day after the fulfilment of the above conditions or such other date to be agreed between Easyknit Enterprises and the Placing Agent.

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, EI Shareholders and potential investors are advised to exercise caution when dealing in the EE Shares and EI Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Assuming all the Placing Shares are successfully placed by the Placing Agent, the gross proceeds from the Placing will be approximately HK\$20,800,000. The net proceeds, after deducting the placing commission and other related expenses, will be approximately HK\$20,000,000.

The EE Directors and EI Directors consider that the Placing will strengthen the financial position of the Group and Easyknit International. 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.

The EE Directors confirmed that the net proceeds will be used for the general working capital of the Group.

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	717,211,200	43.52	717,211,200	36.27
Placees	0	0	329,540,000	16.67
Public shareholders	930,554,800	56.48	930,554,800	47.06
Total	1,647,766,000	100.00	1,977,306,000	100.00

FUND RAISING ACTIVITIES OF EASYKNIT ENTERPRISES IN 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:

Date of announcement	Fund raising activities	Net proceeds raised (approximate)	Intended use of net proceeds	Actual use of net proceeds (approximate)
15 August 2012	Rights issue	HK\$28.4 million	(i) HK\$14.2 million for general working capital ; and (ii) HK\$14.2 million for the acquisition of Target Property	(i) general working capital of the Group of HK\$14.2 million; and (ii) the remaining to be applied as intended
11 October 2012	Rights issue	HK\$113.03 million	For the acquisition of Target Property	To be applied as intended
28 January 2013	Placing of new shares under general mandate	HK\$29.8 million	For the acquisition of Target Property	To be applied as intended
5 April 2013	Rights issue	HK\$122 million	For the acquisition of Target Property	To be applied as intended

Relating to the current status on the compulsory sale and development of the Target Property, a pre-trial review hearing will be held at Lands Tribunal on 16 September 2013.

Save as the above, Easyknit Enterprises had not conducted any fund raising activity in the past 12 months immediately preceding the date of this announcement.

INFORMATION ON EASYKNIT INTERNATIONAL AND EASYKNIT ENTERPRISES

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

Easyknit Enterprises is principally engaged in property investments, garment sourcing and exporting businesses, investment in securities and loan financing.

Financial Information on Easyknit Enterprises

Set out below is certain financial information extracted from the annual reports of Easyknit Enterprises for the years ended 31 March 2013 and 2012 :

	For the year ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Revenue	223,756	286,916
Loss before taxation	(1,138)	(40,670)
Profit/(Loss) after taxation	4,695	(34,762)

EFFECT OF THE PLACING ON EASYKNIT INTERNATIONAL

As at the date of this announcement, Easyknit International has shareholding of approximately 43.52% in Easyknit Enterprises which is a subsidiary of Easyknit International.

The Placing will have the effect of diluting all existing EE Shareholders' percentage shareholdings in Easyknit Enterprises. So far as Easyknit International is concerned, its percentage share of the issued share capital of Easyknit Enterprises will be diluted approximately from 43.52% to 36.27%. Pursuant to Rule 14.31 of the Listing Rules, the Deemed Disposal constitutes a major transaction to Easyknit International and upon completion, Easyknit Enterprises will no longer be a subsidiary of Easyknit International and its financial position and results will not be consolidated into those of Easyknit International. Easyknit Enterprises will be accounted for an associate of Easyknit International. A net loss of approximately HK\$28 million would be recognized in the consolidated income statement of Easyknit International as a result of placing.

LISTING RULES IMPLICATIONS TO EASYKNIT INTERNATIONAL

As the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Deemed Disposal are more than 25% but less than 75%, the deemed disposal constitutes a major transaction to Easyknit International and is subject to reporting,

announcement and shareholders' approval requirements under Chapter 14 of 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 Deemed Disposal if Easyknit International were to convene a general meeting for approving the Deemed Disposal.

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval of the Deemed Disposal 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, among other things, details of the Deemed Disposal is expected to be despatched to the EI Shareholders on or before 4 October 2013.

As completion of the Placing is subject to the fulfillment of a number of conditions precedent, the Placing Agreement may or may not complete. EE Shareholders, EI Shareholders and potential investors are advised to exercise caution when dealing in the EE Shares and EI Shares.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Deemed Disposal”	upon the completion of the Placing, it dilutes the shareholding interests of Easyknit International in Easyknit Enterprises from approximately 43.52% to approximately 36.27%
“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
“EE Board”	the board EE Directors
“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 Board”	the Board of EI Directors
“EI Directors”	the directors of Easyknit International
“EI Shareholders”	holders of Easyknit International shares
“EI Shares”	share at HK\$0.10 each in the share capital of Easyknit International
“Group”	Easyknit Enterprises and its subsidiaries
“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”	11 October 2013 or such later date to be agreed between Easyknit Enterprises and the Placing Agent in writing
“major transaction”	the meaning ascribed thereto in the Listing Rules
“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 11 September 2013 entered into between Easyknit Enterprises and the Placing Agent in relation to the Placing;
“Placing Price”	HK\$0.063 per Placing Share
“Placing Share(s)”	a maximum of 329,540,000 new EE Shares to be placed by the Placing Agent pursuant to the Placing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Property”	Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong and is now occupied as a retail shop
“HK\$”	Hong Kong dollars

By Order of EI Board
Easyknit International Holdings Limited
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

By Order of EE Board
Easyknit Enterprises Holdings Limited
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

Hong Kong, 11 September 2013

As at the date hereof, the EI 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.

As at the date hereof, the EE 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. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching as independent non-executive directors.