

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of EE and/or EI.

JOINT ANNOUNCEMENT



Easyknit Enterprises Holdings Limited
永義實業集團有限公司*
(incorporated in Bermuda with limited liability)
(Stock code : 0616)

**CONNECTED TRANSACTION
RELATING TO
PROPOSED ISSUE OF
CONVERTIBLE NOTE**



Easyknit International Holdings Limited
永義國際集團有限公司*
(incorporated in Bermuda with limited liability)
(Stock code : 1218)

**(1) MAJOR TRANSACTION:
PROPOSED SUBSCRIPTION OF
CONVERTIBLE NOTE
AND
(2) THE WHITEWASH WAIVER**

THE SUBSCRIPTION AGREEMENT AND THE CONVERTIBLE NOTE

On 16 January 2014 (after trading hours), EE and the Subscriber entered into the Subscription Agreement, pursuant to which EE has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Note in the aggregate principal amount of HK\$100,000,000. Completion of the Subscription Agreement is subject to the Conditions Precedent. Terms of the Convertible Note are summarised in the paragraph headed “Principal terms of the Convertible Note” in this announcement.

Assuming that the Conversion Rights (as defined in the paragraph headed “Principal terms of the Convertible Note” below) in relation to the total principal amount of the Convertible Note of HK\$100,000,000 are exercised in full at the Conversion Price of HK\$0.68 per Conversion Share, a total of up to 147,058,823 Conversion Shares will be allotted and issued, representing approximately 49.6% of the issued share capital of EE as at the date of this announcement and approximately 33.1% of the issued share capital of EE as enlarged by the allotment and issue of such Conversion Shares (assuming that save for the issue of the Conversion Shares, there will be no change to the issued share capital of EE from the date of this announcement up to (and including) the date of issue of such Conversion Shares resulting from full exercise of the Conversion Rights).

The gross proceeds from the issue of the Convertible Note will be HK\$100,000,000 and the net proceeds are estimated to be approximately HK\$98,700,000. Pursuant to the terms of the Subscription Agreement, upon completion thereof, the net proceeds will be used for the acquisition and redevelopment of the Target Project.

** for identification only*

THE WHITEWASH WAIVER FOR EI

As at the date of this announcement, EI, through the Subscriber and Landmark Profits, is interested in 107,581,674 EE Shares, representing approximately 36.3% of the existing issued share capital of EE. Upon issue of 147,058,823 Conversion Shares assuming exercise of the Conversion Rights at the Conversion Price in full, and assuming that save for the issue of such Conversion Shares, there will be no change to the issued share capital and shareholding structure of EE from the date of this announcement up to (and including) the date of issue of such Conversion Shares, the shareholding of EI in EE will increase from approximately 36.3% (of the existing issued share capital of EE) to approximately 57.4% (of the issued share capital of EE as enlarged by the issue of the Conversion Shares).

Given that the allotment and issue of the Conversion Shares to the Subscriber will increase EI's holding of voting rights in EE by more than 2% from the lowest percentage holding of it in the previous 12 months thereby exceeding the 2% creeper threshold specified in Rule 26.1(c) of the Takeovers Code, the Subscriber and any parties acting in concert with it (including but not limited to EI and Landmark Profits) will, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of EE not already owned or agreed to be acquired by them. The Subscriber and any parties acting in concert with it (including but not limited to EI and Landmark Profits) have made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the EE Independent Shareholders at the SGM by way of poll. The Subscriber, parties acting in concert with it (including but not limited to EI and Landmark Profits) and any other persons who are interested or involved in the Subscription Agreement and the Whitewash Waiver will be prohibited to vote on the Subscription Agreement and the Whitewash Waiver under the Listing Rules and the Takeovers Code and will be required to abstain from voting at the SGM. If the Whitewash Waiver is not granted by the Executive, completion of the Subscription Agreement (hence the issue of the Convertible Note) will not proceed.

LISTING RULES IMPLICATIONS

As at the date of this announcement, EI is a connected person of EE. Accordingly, the Subscription constitutes a connected transaction of EE under the Listing Rules and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the subscription of the Convertible Note by Goodco (being the Subscriber) under the Subscription Agreement, therefore constitutes a major transaction for EI under the Listing Rules. EI is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

GENERAL

EE has established the Independent Board Committee comprising all its independent non-executive EE Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, to advise the EE Independent Shareholders on the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver, taking into account the advice of the Independent Financial Adviser. Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau, being non-executive EE Directors, are also non-executive EI Directors. In order to avoid any conflicts of interest, Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau will not be members of the Independent Board Committee.

After obtaining the approval of the Independent Board Committee, the Independent Financial Adviser will be appointed by EE to advise the Independent Board Committee and the EE Independent Shareholders in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver. A further announcement will be made by EE as soon as possible after the appointment of the Independent Financial Adviser is made.

A circular of EE containing, among other things, (i) particulars of the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver; (ii) the relevant recommendations of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the EE Independent Shareholders; and (iv) a notice convening the SGM, is expected to be despatched to the EE Shareholders on or before 10 February 2014.

A circular of EI containing, among other things, (i) the particulars of the Subscription Agreement; and (ii) the Whitewash Waiver, is expected to be despatched to EI Shareholders on or before 10 February 2014.

EE Shareholders, EI Shareholders and potential investors should note that completion of the Subscription Agreement is subject to the Conditions Precedent and completion thereof may not proceed unless (a) EE Independent Shareholders approve the resolutions regarding the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver by way of poll at the SGM; and (b) the Whitewash Waiver is granted by the Executive. Completion of the Subscription Agreement (hence the issue of the Convertible Note) will not proceed if any of these approvals are not obtained. EE Shareholders, EI Shareholders and potential investors are therefore reminded to exercise caution when dealing in the shares and any other securities of EE and/or EI.

The EE Board is pleased to announce that on 16 January 2014 (after trading hours), EE and the Subscriber entered into the Subscription Agreement, details of which are set out below.

THE SUBSCRIPTION AGREEMENT

Parties to and date of the Subscription Agreement

Date: 16 January 2014 (after trading hours)

Parties: EE (as the issuer); and
Goodco Development Limited (as the subscriber), a substantial shareholder of EE as at the date of this announcement

Issue of the Convertible Note

Pursuant to the Subscription Agreement, EE has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Note in the aggregate principal amount of HK\$100,000,000, which will be issued on face value.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon the fulfillment of the following:

- (a) the EE Independent Shareholders having passed the ordinary resolutions at the SGM to approve the Subscription Agreement and the transactions contemplated therein, including the issue of the Convertible Note, the allotment and issue of the Conversion Shares, and the Whitewash Waiver in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (b) the Executive having granted the Whitewash Waiver;
- (c) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares; and
- (d) all necessary consents and approvals other than the approvals referred to in the above Conditions Precedent (a) to (c) having been obtained by the Subscriber or EE in relation to the transactions contemplated under the Subscription Agreement.

None of the Conditions Precedent may be waived. If any of the Conditions Precedent has not been fulfilled on or before 31 March 2014 or such other date as may be agreed in writing by EE and the Subscriber, the Subscription Agreement will lapse and the parties thereto will be released from all obligations therein, save for liabilities for any antecedent breaches of the Subscription Agreement.

Conversion Price

The initial Conversion Price is HK\$0.68 per Conversion Share, which will be subject to adjustments in the event of (i) change in nominal value of the EE Shares upon, among others, share consolidation, share subdivision and share re-classification; (ii) issue (other than in lieu of a cash dividend) of any EE Shares credited as fully paid by way of capitalisation of profits or reserves; (iii) capital distribution to the EE Shareholders or grant to the EE Shareholders of rights to acquire for cash assets of the EE Group; (iv) offer, or grant, by EE to the EE Shareholders of new EE Shares, or options or warrants to subscribe for new EE Shares, by way of rights at a price which is less than 90% of the relevant market price of the EE Shares; (v) issue of EE Shares or securities (the “**Relevant Convertible Securities**”) convertible into or exchangeable for or carrying rights of subscription for EE Shares for cash, or for acquisition of assets by the EE Group where the total effective price for the relevant EE Shares issued (for the case of issue of the Relevant Convertible Securities, including consideration receivable by EE for the Relevant Convertible Securities and any additional minimum consideration to be received by EE for the EE Shares which may be issued upon exercise of the conversion rights or exchangeable rights or subscription rights attaching to the Relevant Convertible Securities) is less than 90% of the relevant market price of those EE Shares.

The initial Conversion Price was determined by the parties after arm’s length negotiations and with reference to the historical prices during the last twelve months and the prevailing market prices of the EE Shares.

The initial Conversion Price represents:

- (i) a premium of approximately 15.3% over the closing price of HK\$0.59 per EE Share as quoted on the Stock Exchange on 16 January 2014, being the last trading day before the date of the Subscription Agreement;
- (ii) a premium of approximately 18.5% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 16 January 2014, being approximately HK\$0.57 per EE Share;

- (iii) a premium of approximately 19.9% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including 16 January 2014, being approximately HK\$0.57 per EE Share;
- (iv) a premium of approximately 8.0% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 16 January 2014, being approximately HK\$0.63 per EE Share;
- (v) a discount of approximately 21.9% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for last six months up to and including 16 January 2014, being approximately HK\$0.87 per EE Share; and
- (vi) a discount of approximately 39.2% over the average of the closing prices of the EE Shares as quoted on the Stock Exchange for last twelve months up to and including 16 January 2014, being approximately HK\$1.12 per EE Share.

Completion

Subject to all the Conditions Precedent having been fulfilled, completion of the Subscription Agreement shall take place on the second Business Day after satisfying the conditions above, or such other date as may be agreed by EE and the Subscriber in writing. Upon completion of the Subscription Agreement, the net proceeds of the Convertible Note of HK\$98,700,000 will be used for the acquisition and redevelopment of the Target Project.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are summarised below:

Total issue price and principal amount upon issue	:	HK\$100,000,000
Maturity Date	:	The date falling on the fifth anniversary of the Issue Date, on which all outstanding principal amount, together with all outstanding accrued interests, of the Convertible Note will become due and payable by EE to the Noteholder.
Redemption price at maturity	:	100% of the outstanding principal amount of the Convertible Note on the Maturity Date, together with all unpaid and accrued interest due on the outstanding principal amount of the Convertible Note.
Early redemption	:	Save for the occurrence of any event of default as set out in the terms and conditions of the Convertible Note, the Noteholder will not be entitled to demand for early repayment of the Convertible Note.
Interest		The Convertible Note will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 2.0% per annum. Interest will be payable semi-yearly in arrears. In the event that EE does not pay any sum payable under the Convertible Note when due, a default interest at the rate of 5% per annum for the relevant default payment period will be payable by EE.

The interest rate was determined by the parties after arm's length negotiations and with references to: (i) the prevailing market conditions; and (ii) the indicative costs of mid-term/long-term debt finance (without any pledges and securities) preliminarily quoted to EE by its banks upon general enquiries.

- Conversion Rights : A Noteholder will have the rights to convert the whole or part of the outstanding principal amount of a Convertible Note (in amount of not less than a whole multiple of HK\$10,000,000 on each conversion, unless the outstanding principal amount of the Convertible Note to be converted is less than HK\$10,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares at any time during the Conversion Period (as detailed below) at the Conversion Price (subject to adjustments).
- EE will not be obliged to issue any Conversion Shares if (i) immediately following the conversion, EE will be unable to meet the prescribed minimum public float requirement under the Listing Rules; or (ii) a mandatory general offer will be required to be made by the Noteholder and parties acting in concert with it under the Takeovers Code unless a whitewash waiver is obtained.
- Conversion Period : The period from the date falling on the Issue Date up to and including the date falling on the fifth last Business Day prior to the Maturity Date.
- Ranking of the Conversion Shares : The Conversion Shares, when allotted and issued upon exercise of the Conversion Rights, shall rank pari passu in all respects with all other then issued EE Shares as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.
- Transferability : No assignment or transfer (whether in whole or in part(s)) of the Convertible Note may be made unless it is made to (i) the holding company; (ii) the subsidiaries; or (iii) associates of the Noteholder.
- Voting : The Noteholder will not be entitled to attend or vote at any meetings of EE by reason only of being the Noteholder.
- Redemption : Save for occurrence of any events of default, the Convertible Note is not redeemable prior to the Maturity Date and EE will repay the outstanding principal amount of the Convertible Note, together with all unpaid interests accrued thereon, on the Maturity Date.

Others : Upon execution of the Subscription Agreement, the Subscriber has undertaken not to exercise the Conversion Rights if it would result in (a) the non-compliance of the prescribed minimum public float requirement under the Listing Rules applicable to EE; or (b) a mandatory general offer for the Shares being required to be made by the Subscriber and the parties acting in concert with it under the Takeovers Code unless the Whitewash Waiver is obtained.

Assuming that the Conversion Rights in relation to the total principal amount of the Convertible Note of HK\$100,000,000 are exercised in full at the Conversion Price of HK\$0.68 per Conversion Share, a total of up to 147,058,823 Conversion Shares will be allotted and issued, representing approximately 49.6% of the issued share capital of EE as at the date of this announcement and approximately 33.1% of the issued share capital of EE as enlarged by the allotment and issue of such Conversion Shares (assuming that save for the issue of the 147,058,823 Conversion Shares, there will be no change to the issued share capital of EE from the date of this announcement up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights).

EE will seek a specific mandate from the EE Independent Shareholders for the allotment and issue of the Conversion Shares at the SGM. Application will be made by EE to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights. No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange.

INFORMATION ON THE EE GROUP

The EE Group is principally engaged in property investments, garment sourcing and export businesses, investment in securities and loan financing.

INFORMATION ON THE SUBSCRIBER AND EI

The Subscriber is a company incorporated in British Virgin Islands with limited liability and is a substantial Shareholder holding 60,441,570 EE Shares, representing approximately 20.4% of the issued share capital of EE as at the date of this announcement. It is a wholly-owned subsidiary of EI.

EI is principally engaged in property investments, property development, investment in securities and loan financing.

SHAREHOLDING STRUCTURE

The following table shows the shareholding structure of EE as at the date of this announcement and immediately after the issue of 147,058,823 Conversion Shares assuming exercise in full of the Conversion Rights at the Conversion Price of HK\$0.68 per Conversion Share (based on the existing shareholding structure of EE and assuming that save for the issue of the 147,058,823 Conversion Shares to the Subscriber, there will be no change in the issued share capital of EE from the date of this announcement up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights):

	As at the date of this announcement (Note 1)		Immediately after the issue of 147,058,823 Conversion Shares to the Subscriber upon exercise in full of the Conversion Rights at the initial Conversion Price (Note 1)	
	Number of EE Shares	Approximate %	Number of EE Shares	Approximate %
The Subscriber and parties acting in concert with it				
The Subscriber (Note 2 and 4)	60,441,570	20.4	207,500,393	46.8
Landmark Profits (Note 3 and 4)	47,140,104	15.9	47,140,104	10.6
Sub-total	107,581,674	36.3	254,640,497	57.4
Public EE Shareholders	189,014,226	63.7	189,014,226	42.6
Total	296,595,900	100.0	443,654,723	100.0

Notes:

1. The figures are derived based on the existing shareholding structure of EE and the assumption that save for the allotment and issue of 147,058,823 Conversion Shares to the Subscriber, there will be no change in the issued share capital of EE from the date of this announcement up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights.
2. The entire issued share capital of the Subscriber is indirectly held by EI.
3. The entire issued share capital of Landmark Profits is directly held by EI.
4. The Subscriber and Landmark Profits, are wholly-owned subsidiaries of EI and are presumed to be acting in concert for the purpose of the Takeovers Code.

REASONS FOR THE ISSUE AND SUBSCRIPTION OF CONVERTIBLE NOTE AND USE OF PROCEEDS

The reasons for EE's issuance of the Convertible Note are as follows:

- (i) The acquisition and redevelopment of Target Project

No. 11, 13 and 15 Matheson Street

EE is the majority owner of a building located at No. 15 Matheson Street, Causeway Bay, Hong Kong, which exceeds 50 years of age. The building comprises 5 units on the first to fifth floors (approximately 83.3% of the undivided shares of that building) with the Target Property on the ground floor. EE completed the acquisitions of the aforesaid 5 units in June 2012. In December 2012, EE had, pursuant to section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545), filed an application to the Lands Tribunal for an order to sell all the undivided shares in that building for the purposes of redevelopment, with a view

to acquiring the Target Property. The Lands Tribunal has fixed the date for the hearing of the above from 7 to 12 May 2014. If the Lands Tribunal makes an order for sale of the lot, the trustees of the Lands Tribunal will arrange for public auction and sale of the lot within 3 months from the date of the sale order. If successful in that auction, EE can receive possession of the Target Property in September 2014. As a reference, the asking price indicated in early November 2012 by a property agent purportedly acting on behalf of the owner of the Target Property was HK\$230 million.

No. 13 Matheson Street is located next to No.15 Matheson Street which is described above. The building consists of five residential units and a retail unit on the ground floor with a cockloft. This retail unit is owned by EE. The residential units are owned by third parties who are independent of (i) EE; and (ii) connected persons of EE.

The building No. 11 Matheson Street, located next to No. 13 Matheson Street, consists of five residential units on the first to fifth floors and a retail unit on the ground floor with a cockloft. This entire building is owned by third parties who are independent of (i) EE; and (ii) connected persons of EE.

The Target Project

EE intends to consolidate its ownership of the entire buildings of No. 11, 13 and 15 Matheson Street, with a view of redeveloping the site. This will entail acquiring the Target Property, the five residential units at 13 Matheson Street, as well as the entire block of 11 Matheson Street from third parties who are independent of EE. EE had previously initiated discussions with the relevant incorporated owners expressing its interests, and intends to commence more active negotiations as the EE Directors believe that the softening of the Hong Kong property market in the recent months may be an opportune time for this.

The EE Directors estimate that the acquisitions of the above properties will require financial resources of between HK\$550 million and HK\$600 million at current prices. Thereafter, additional financial resources are needed to redevelop the site into properties for residential and/or commercial uses, which the EE Directors estimate will take approximately 3 years. Redevelopment costs will be required for planning and design, demolition, foundation works, superstructure construction and interior works, and is currently estimated to be between HK\$150 million and HK\$200 million at current prices.

Method of financing the Target Project

The EE Directors need immediate access to cash resources for the above acquisition of properties as agreements may be reached with the sellers at any time during the negotiation process, which EE will have to act upon promptly. Meanwhile, bank financing for property acquisitions (especially the residential units) is not readily available and if available, the loan amounts are likely to be low relative to the acquisition prices given the age and run-down states for the properties in question. Meanwhile, bank financing will likely be available for the redevelopment phase of the Target Project.

EE's current financial resources

Over the past 15 months, EE had conducted various equity fund-raising exercises for the acquisition of the Target Property and the related redevelopment. Details of these fund-raising exercises are set out in the following section. Subsequent to these exercises, as at 31 December 2013, the EE Group had unaudited bank balances and cash of approximately HK\$452 million (which include proceeds from the rights issue completed in December 2013). Out of this amount, RMB64 million (equivalent to approximately HK\$81 million) is tied up in the PRC since 2012 as investment capital which is in practice not feasible to be transferred

back to Hong Kong. In addition, as at 31 December 2013, EE had a portfolio of securities investment with fair value of approximately HK\$106 million.

As shown above, EE currently does not have sufficient cash resources to complete the acquisition of the relevant properties under the Target Project.

(ii) Expedient fund-raising alternative

As shown in the section headed “Fund-raising activities of EE in the past twelve months prior to the date of this announcement” below, the fund-raising exercises of EE in the past had been mainly through rights issues of shares and placing of new shares. For the purpose of this fund-raising, EE has enquired with potential underwriters on various equity issuance alternatives. Based on their feedback, market demand for such issuance is limited at this point in time.

For this reason, the EE Directors consider the issuance of Convertible Note to EI (which has indicated its willingness to subscribe for the Convertible Note) a suitable fund-raising method during this period.

The gross proceeds from the issue of the Convertible Note will be HK\$100,000,000 and the net proceeds are estimated to be approximately HK\$98,700,000 respectively. Pursuant to the terms of the Subscription Agreement, upon completion thereof, the net proceeds will be used for the acquisition and redevelopment of the Target Project.

Having considered the above, the EE Directors (excluding the independent non-executive EE Directors, who will provide their opinion after considering the advice of the Independent Financial Adviser) are of the view that the Subscription Agreement, the transactions contemplated therein and the Whitewash Waiver are fair and reasonable and in the interests of EE and the EE Shareholders as a whole.

The reason for EI’s subscription of the Convertible Note is that the EI Directors are confident in EE’s long-term business development. Consequently, EI Directors propose that EI subscribes for the Convertible Note, which offers a yield superior to bank deposits whilst allowing EI to maintain control of EE. The EI Directors (including the independent non-executive EI Directors) are of the view that the Subscription Agreement and the transactions contemplated therein (subject to obtaining the Whitewash Waiver) are fair and reasonable and in the interests of EI and the EI Shareholders as a whole.

FUND-RAISING ACTIVITIES OF EE IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

Date of announcement	Fund-raising activities	Net proceeds raised <i>(approximate)</i>	Intended use of net proceeds	Actual use of net proceeds <i>(approximate)</i>
11 October 2012	Rights issue of shares	HK\$113 million	For the acquisition of the Target Property	To be applied as intended
28 January 2013	Placing of new shares under general Mandate	HK\$30 million	For the acquisition of the Target Property	To be applied as intended

5 April 2013	Rights issue of shares	HK\$122 million	For the acquisition of the Target Property	To be applied as intended
11 September 2013	Placing of new shares under general mandate	HK\$20 million	For general working capital	To be applied as intended
3 October 2013	Rights issue of shares	HK\$146 million	HK\$102 million – for future redevelopment cost of the Target Property	To be applied as intended
			HK\$44 million – for general corporate purposes	To be applied as intended

Save as disclosed in this paragraph, EE had not conducted any other fund-raising activities in the past twelve months immediately before the date of this announcement.

MAJOR TRANSACTION FOR EI

As at the date of this announcement, EE is an associate of EI. EI, through the Subscriber and Landmark Profits, is interested in 107,581,674 EE Shares, representing approximately 36.3% of the total issued share capital of EE.

The principal amount to be paid by the Subscriber for the Convertible Note amounts to HK\$100,000,000. This will be fully satisfied in cash by internal resources of EI. As the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the subscription of the Convertible Note by the Subscriber under the Subscription Agreement, constitutes a major transaction for EI under the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN EI SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution passed at a general meeting of EI, written EI Shareholders' approval of the Subscription Agreement has been obtained from Sea Rejoice Limited and Magical Profits Limited, which together hold approximately 58.7% of the issued shares of EI as at the date of this announcement. Sea Rejoice Limited, which holds 17,429,664 EI Shares, representing approximately 22.0% of the issued shares of EI, is wholly-owned by Ms. Lui Yuk Chu, the vice president and executive director of EI and EE. Magical Profits Limited, which holds 29,179,480 EI Shares, representing approximately 36.7% of the issued shares of EI, 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, daughter of Ms. Lui Yuk Chu and an executive director of EI and EE, 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.

THE WHITEWASH WAIVER FOR EI

Upon issue of up to 147,058,823 Conversion Shares resulting from exercise of the Conversion Rights at the initial Conversion Price in full, and assuming that save for the issue of such Conversion Shares, there will be no change to the issued share capital and shareholding structure of EE from the date of this announcement up to (and including) the date of issue of such Conversion Shares on exercise in full of the Conversion Rights, the shareholding of EI via the Subscriber and Landmark Profits in EE will increase from approximately 36.3% (of the existing issued share capital of EE) to approximately 57.4% (of the issued share capital of EE as enlarged by the issue of the Conversion Shares).

Given that the allotment and issue of the Conversion Shares to the Subscriber will increase EI's holding of voting rights in EE by more than 2% from the lowest percentage holding of it in the previous 12 months and thereby exceeding the 2% creeper threshold specified in Rule 26.1(c) of the Takeovers Code, the Subscriber and parties acting in concert with it (including but not limited to EI and Landmark Profits) will, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of EE not already owned or agreed to be acquired by them.

The Subscriber and parties acting in concert with it (including but not limited to EI and Landmark Profits) have made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the EE Independent Shareholders at the SGM by way of poll. The Subscriber, parties acting in concert with it (including but not limited to EI and Landmark Profits) and any other persons who are interested or involved in the Subscription Agreement and the Whitewash Waiver will be prohibited to vote on the Subscription Agreement and the Whitewash Waiver under the Listing Rules and the Takeovers Code and will be required to abstain from voting at the SGM. If the Whitewash Waiver is not granted by the Executive, completion of the Subscription Agreement (hence the issue of the Convertible Note) will not proceed.

EI has confirmed that neither the Subscriber nor any parties acting in concert with it (including Landmark Profits) have acquired voting rights in EE nor dealt in any securities of EE (and there have been no disqualifying transactions for the purpose of paragraph 3 of Schedule VI to the Takeovers Code), within the six months period up to and including the date of this announcement.

EI has confirmed that as at the date of this announcement, (i) 60,441,570 EE Shares, representing approximately 20.4% of the existing issued share capital of EE, are held by the Subscriber; and (ii) 47,140,104 EE Shares, representing approximately 15.9% of the existing issued share capital of EE, are held by Landmark Profits.

EI, the Subscriber and Landmark Profits have further confirmed that save for the Subscription Agreement (together with the Convertible Note to be issued to it upon completion of the Subscription Agreement, and the Conversion Shares which may be allotted and issued to it upon exercise of the Conversion Rights attaching to the Convertible Note) and the Whitewash Waiver, as at the date of this announcement:

- (i) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the EE Shares, shares of the Subscriber or EI Shares and which might be material to the Subscription and the Whitewash Waiver;

- (ii) there is no agreement or arrangements to which any of the Subscriber or any parties acting in concert with it (including but not limited to EI and Landmark Profits) is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver;
- (iii) there is no outstanding derivative in respect of securities in EE which has been entered into by the Subscriber or any person acting in concert with it;
- (iv) other than the approximately 36.3% in aggregate of the issued share capital of EE as at the date of this announcement held by the Subscriber and Landmark Profits, neither the Subscriber nor any parties acting in concert with it (including but not limited to EI and Landmark Profits) owns, controls or has direction over any voting rights, rights over EE Shares, convertible securities, warrants or options of EE;
- (v) neither the Subscriber nor any parties acting in concert with it (including but not limited to EI and Landmark Profits) has received an irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Subscription and the Whitewash Waiver; and
- (vi) there are no relevant securities (as defined Note 4 to Rule 22 in the Takeovers Code) in EE which the Subscriber or any person acting in concert with it has borrowed or lent.

Financial information of EE

Based on the interim report of EE for the six months ended 30 September 2013, the unaudited net asset value of EE was HK\$949 million. Set out below is certain financial information extracted from the latest annual report of EE :

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

LISTING RULES IMPLICATION

As at the date of this announcement, EI, through the Subscriber and Landmark Profits, is beneficially interested in approximately 36.3% of the issued share capital of EE, and hence it is a connected person of EE. Accordingly, the Subscription constitutes a connected transaction of EE under the Listing Rules and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Subscription will constitute a major transaction for EI under the Listing Rules. Reference is made to the paragraphs headed "Major transaction for EI" and "Written EI Shareholders' approval" above.

GENERAL

The SGM will be held for the EE Independent Shareholders to consider and, if thought fit, pass the resolutions to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver. The Subscriber, the parties acting in concert with it (including but not limited to EI and Landmark Profits) and their respective associates, which in aggregate hold approximately 36.3% of the issued share capital of EE as at the date of this announcement, and any persons who are interested or involved in the Subscription and the Whitewash Waiver will be prohibited to vote under the Listing Rules and the Takeovers Code and will be required to abstain from voting at the SGM with respect to the resolutions to approve the Subscription Agreement and/or the Whitewash Waiver.

EE has established the Independent Board Committee comprising all its independent non-executive EE Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching, to advise the EE Independent Shareholders on the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver, after taking into account the advice of the Independent Financial Adviser. Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau, being non-executive EE Directors, are also non-executive EI Directors. In order to avoid any conflict of interests, Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau will not be members of the Independent Board Committee.

After obtaining the approval of the Independent Board Committee, the Independent Financial Adviser will be appointed by EE to advise the Independent Board Committee and the EE Independent Shareholders in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver.

A further announcement will be made by EE as soon as possible after the appointment of the Independent Financial Adviser is made.

A circular of EE containing, among other things, (i) particulars of the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver; (ii) the relevant recommendations of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the EE Independent Shareholders; and (iv) a notice convening the SGM, is expected to be despatched to the EE Shareholders on or before 10 February 2014.

A circular of EI containing, among other things, (i) the particulars of the Subscription Agreement; and (ii) the Whitewash Waiver, is expected to be despatched to EI Shareholders on or before 10 February 2014.

EE Shareholders, EI Shareholders and potential investors should note that completion of the Subscription Agreement is subject to the Conditions Precedent and completion thereof may not proceed unless (a) EE Independent Shareholders approve the resolutions regarding the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver by way of poll at the SGM; and (b) the Whitewash Waiver is granted by the Executive. Completion of the Subscription Agreement (hence the issue of the Convertible Note) will not proceed if any of these approvals are not obtained. EE Shareholders, EI Shareholders and potential investors are therefore reminded to exercise caution when dealing in the shares and any other securities of EE and/or EI.

DEFINITIONS

In this announcement, unless the context otherwise required, the following words and phrases have the following meanings:

“acting in concert”	the meaning ascribed to it under the Takeovers Code
“associates”	the meaning ascribed to it under the Listing Rules
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“Conditions Precedent”	the conditions precedent for completion of the Subscription Agreement to take place as set out in the paragraph headed “Conditions Precedent” in this announcement
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Conversion Period”	the period during which the Noteholder may exercise the Conversion Rights to subscribe for the Conversion Shares at the Conversion Price, details of which are set out in the paragraph headed “Principal terms of the Convertible Note” in this announcement
“Conversion Price”	the conversion price at which each Conversion Share shall be issued upon a conversion of all or any part of the Convertible Note, which is initially fixed at HK\$0.68 per Conversion Share and subject to adjustments (if any)
“Conversion Share(s)”	the EE Share(s) to be allotted and issued by EE upon exercise of the Conversion Rights
“Convertible Note”	the convertible note in the principal amount of HK\$100,000,000 to be issued by EE to the Subscriber pursuant to the Subscription Agreement
“EE”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“EE Directors”	the directors of EE
“EE Board”	the board of directors of EE
“EE Group”	EE and its subsidiaries
“EE Independent Shareholders”	the EE Shareholders, other than (i) the Subscriber and parties acting in concert with it; (ii) the EE Directors (excluding the independent non-executive EE Directors); (iii) the chief executive of EE and their respective associates; and (iv) EE Shareholders interested or involved in the Subscription Agreement and Whitewash Waiver

“EE Shareholder(s)”	holder(s) of EE Share(s)
“EE Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of EE
“EI”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“EI Directors”	the directors of EI
“EI Shareholder(s)”	holder(s) of share(s) of EI
“EI Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of EI
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Goodco” or the “Subscriber”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of EI, being a substantial shareholder of EE (as defined in the Listing Rules) of EE
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the EE Board comprising all its independent non-executive EE Directors, established for the purposes of advising the EE Independent Shareholders on the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver
“Independent Financial Adviser”	the independent financial adviser to be appointed by EE to advise the Independent Board Committee and the EE Independent Shareholders in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver
“Issue Date”	the date of issue of the Convertible Note, which shall be on the date of completion of the Subscription Agreement
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of EI, being a substantial shareholder of EE (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Maturity Date”	five years after the first issue of the Convertible Note
“Noteholder”	the holder of the Convertible Note
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of EE to be convened and held for the purpose of considering, if thought fit, approving the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Note and the allotment and issue of the Conversion Shares) and the Whitewash Waiver
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	conditional subscription of the Convertible Note by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 16 January 2014 entered into between EE and the Subscriber in relation to the Subscription and issue of the Convertible Note
“substantial shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Project”	the acquisition and redevelopment of the Target Property and the buildings located at No. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong
“Target Property”	Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong
“Whitewash Wavier”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber and parties acting in concert with it (including but not limited to EI and Landmark Profits) to make a mandatory general offer for all the securities of EE other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it (including but not limited to EI and Landmark Profits) pursuant to Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issue of the Conversion Shares
“%”	percentage

By Order of the Board
**EASYKNIT ENTERPRISES
HOLDINGS LIMITED**
Kwong Jimmy Cheung Tim
Chairman and Chief Executive Officer

By Order of the Board
**EASYKNIT INTERNATIONAL
HOLDINGS LIMITED**
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

Hong Kong, 16 January 2014

As at the date hereof, the board of EE Directors comprises Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors, Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau as non-executive directors, and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching as independent non-executive directors.

As at the date hereof, the board of EI Directors comprises Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors, Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau as non-executive directors; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.

The EE Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information in relation to EI) and confirm, having made all reasonable inquiries, 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 EI Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information in relation to EE) and confirm, having made all reasonable inquiries, 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.