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Easyknit Enterprises Holdings Limited

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 0616)



Easyknit International Holdings Limited

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 1218)

**PLACING OF NEW SHARES
UNDER GENERAL MANDATE**

**DISCLOSEABLE TRANSACTION
DEEMED DISPOSAL OF INTERESTS IN
EASYKNIT ENTERPRISES**

Placing Agent



結好證券有限公司
GET NICE SECURITIES LIMITED

THE PLACING

On 11 August 2014, 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 currently expected not less than six independent Placers for up to 78,000,000 new EE Shares at a price of HK\$0.30 per Placing Share.

The maximum number of 78,000,000 Placing Shares under the Placing represents approximately 19.94% of the entire issued share capital of Easyknit Enterprises as at the date of this announcement and approximately 16.62% of the enlarged issued share capital of Easyknit Enterprises after the Placing.

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

IMPLICATIONS OF THE LISTING RULES TO EASYKNIT INTERNATIONAL

As at the date of this announcement, Easyknit International has shareholdings of 35.02% in the issued EE Shares; and approximately 23.65% interests in the EE Underlying Shares of the enlarged issued share capital of Easyknit Enterprises upon the full conversion of a convertible note. Easyknit Enterprises is a subsidiary of Easyknit International.

For Easyknit International, the Placing is a deemed disposal of interests in Easyknit Enterprises. Upon the completion of Placing, the shareholdings of Easyknit International in the EE Shares will be declined from 35.02% currently to 29.20%; whilst its interests in the EE Underlying Shares will be declined from 23.65% to 20.53% upon the full conversion of a convertible note. Therefore upon the completion of Placing and full conversion of the conversion rights attached to a convertible note, the aggregate shareholdings interests of Easyknit International in EE Shares and EE Underlying Shares is 43.73%; Easyknit Enterprises continues to be a subsidiary of Easyknit International.

** for identification only*

More than one of 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.

As the Placing 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

11 August 2014, 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 currently expected not less than six Placees and their ultimate beneficial owners will be Independent Third Parties. If any of Placees becomes a substantial shareholder of Easyknit Enterprises (as defined under the Listing Rules) after the completion of the Placing, a further announcement will be made accordingly.

Placing Shares

Up to 78,000,000 Placing Shares will be placed by the Placing Agent on a best effort basis. The Placing Shares represent (i) approximately 19.94% of the entire issued share capital of Easyknit Enterprises of 391,207,664 EE Shares as at the date of this announcement; and (ii) approximately 16.62% of the enlarged issued share capital of Easyknit Enterprises of 469,207,664 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\$0.30 per Placing Share was agreed after arm's length negotiations between Easyknit Enterprises and the Placing Agent, with reference to, among other things, the recent trading price of the EE Shares on the Stock Exchange. The Placing Price represents:

- (i) a discount of approximately 16.66% to the closing price of HK\$0.36 per EE Share as quoted on the Stock Exchange on 11 August 2014, being the last trading day immediately prior to the entering into of the Placing Agreement; and
- (ii) a discount of approximately 16.43% to the average closing price of approximately HK\$0.359 per EE Share as quoted on the Stock Exchange for the last 5 full 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 78,241,532 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 7 August 2014.

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

Conditions Precedent

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the Placing; and
- (ii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure events.

Completion

Completion of the Placing, in any event, will take place within four business days after the fulfillment of the conditions as set out in paragraph headed “Conditions Precedent” above or such other date to be agreed between Easyknit Enterprises and the Placing Agent in writing (the “**Completion Date**”). If the above conditions are not satisfied and/or waived (other than condition (i) above, which cannot be waived) in whole or in part by the Placing Agent on or before 5:00 p.m. on the Long Stop Date, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties hereunder will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches hereof).

Termination / Force Majeure

The Placing Agent may terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the EE Group as a whole; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the EE Group as a whole or adversely prejudices the success of the Placing of the EE Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for Easyknit Enterprises or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the EE Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for Easyknit Enterprises or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the Completion Date;

- (a) Easyknit Enterprises commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under this Placing Agreement; or
- (b) any suspension in the trading of the EE Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or any announcements or circulars relating to the Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated and the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the EE Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent shall be entitled (but not bound) by notice in writing to Easyknit Enterprises to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

The EE Directors are not aware of the occurrence of any of such events as at the date of this announcement.

As the Placing 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 Group had unaudited cash and cash equivalent of approximately HK\$563 million as at 31 July 2014, of which, approximately RMB51 million (equivalent to approximately HK\$63 million) is tied up in the PRC since 2012 as investment capital which it is in practice not possible to transfer back to Hong Kong; and approximately HK\$417 million has been earmarked for the balance of the consideration for Acquisition and the future acquisition of the remaining properties of the Target Project, leaving the balance for the general working capital is approximately HK\$83 million.

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\$23.4 million. The net proceeds, after deducting the placing commission and other related expenses, will be approximately HK\$23.1 million and are intended to be used as general working capital for EE 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 (assuming no other EE Shares are issued and/or repurchased) (Note 2)		Immediately after completion of the Placing (assuming that the conversion rights attaching to the convertible note are exercised in full) (Note 2)	
	Number of EE Shares	% (Note 3)	Number of EE Shares	% (Note 3)	Number of EE Shares	% (Note 3)
Easyknit International and parties acting in concert with it						
- ordinary shares	136,993,438	35.02	136,993,438	29.20	136,993,438	23.20
- EE Underlying Shares	-	-	-	-	121,212,121	20.53
Sub-total	136,993,438	35.02	136,993,438	29.20	258,205,559	43.73
Public						
Placees (Note 1)	0	0	78,000,000	16.62	78,000,000	13.21
Other public shareholders	254,214,226	64.98	254,214,226	54.18	254,214,226	43.06
Total	391,207,664	100.00	469,207,664	100.00	590,419,785	100.00

Notes:

1. *The Placing Shares will be placed by the Placing Agent to currently expected not less than six Placees who are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial shareholder of Easyknit Enterprises. Accordingly, the shareholding held by the Placees is regarded as held by the public.*
2. *This assumes the Placing Shares are fully placed.*
3. *The percentages are subject to rounding difference, if any*

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

FUND RAISING ACTIVITIES OF EASYKNIT ENTERPRISES IN THE PAST 12 MONTHS

Date of announcement	Event	Net proceeds (approximate)	Intended use of net proceeds	Actual use of net proceeds (approximate)
11 September 2013	Placing of new EE Shares under general mandate	HK\$20 million	For general working capital	General working capital of EE Group HK\$20 million
3 October 2013	Rights issue of EE Shares	HK\$146 million	HK\$102 million - for future redevelopment cost of Target Property HK\$44 million - for general corporate purposes	To be applied as intended General corporate purposes of the EE Group HK\$44 million
16 January 2014	Issue of convertible note with an aggregate principal amount of HK\$100,000,000 which may be converted into EE Shares at the conversion price of HK\$0.66 per EE Share (subject to adjustment)	HK\$98.7 million	For the acquisition and redevelopment of Target Project	To be applied as intended
6 June 2014	Placing of new EE Shares under general mandate	HK\$22.5 million	For general working capital	General working capital of EE Group HK\$22.5 million

Save as above disclosed, Easyknit Enterprises has not conducted any equity fund raising activities in the previous 12 months immediately preceding the date of this announcement.

INFORMATION ON EASYKNIT INTERNATIONAL AND EASYKNIT ENTERPRISES

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

Easyknit Enterprises is principally engaged in garment sourcing and export businesses, property investments, 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 2014:

	For the year ended 31 March	
	2014 <i>HK\$'000</i> (Audited)	2013 <i>HK\$'000</i> (Audited)
Turnover	156,940	223,756
Loss before taxation	(2,752)	(1,138)
(Loss) profit after taxation	(2,541)	4,695
Net asset value	1,123,094	797,879

IMPLICATIONS OF THE LISTING RULES TO EASYKNIT INTERNATIONAL

As at the date of this announcement, Easyknit International has shareholdings of 35.02% in the issued EE Shares; and approximately 23.65% interests in the EE Underlying Shares of the enlarged issued share capital of Easyknit Enterprises upon the full conversion of a convertible note due in 2019. Easyknit Enterprises is a subsidiary of Easyknit International.

For Easyknit International, the Placing is a deemed disposal of interests in Easyknit Enterprises. Upon the completion of Placing, the shareholdings of Easyknit International in the EE Shares will be declined from 35.02% currently to 29.20%; whilst its interests in the EE Underlying Shares will be declined from 23.65% to 20.53% upon the full conversion of a convertible note. Therefore upon the completion of Placing and full conversion of the conversion rights attached to a convertible note, the aggregate shareholdings interests of Easyknit International in EE Shares and EE Underlying Shares is 43.73%; Easyknit Enterprises continues to be a subsidiary of Easyknit International.

More than one of 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:

“Acquisition” the acquisition of the Target Property by the EE Group at a consideration of HK\$236,800,000. For details, please refer to Easyknit Enterprises’ circular dated 30 May 2014

“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 controlling shareholder of Easyknit Enterprises
“EE Directors”	the directors of Easyknit Enterprises
“EE Group”	Easyknit Enterprises and its subsidiaries
“EE Shareholders”	holders of EE Shares
“EE Shares”	ordinary share of the par value HK\$0.01 each in the share capital of Easyknit Enterprises
“EE Underlying Shares”	EE Shares to be allotted and issued by Easyknit Enterprises upon exercise of the conversion rights attached to a convertible note issued to Easyknit International on 27 March 2014
“EI Directors”	the directors of Easyknit International
“EI Shareholders”	holders of Easyknit International shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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”	29 August 2014 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”	Get Nice Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 11 August 2014 entered into between Easyknit Enterprises and the Placing Agent in relation to the Placing

“Placing Price”	HK\$0.30 per Placing Share
“Placing Share(s)”	a maximum of 78,000,000 new EE Shares to be placed by the Placing Agent pursuant to the Placing Agreement
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 and is now occupied as a retail shop

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, 11 August 2014

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 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 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 and Mr. Lai Law Kau as non-executive directors; Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.