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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)

MAJOR TRANSACTION

AGGREGATE PURCHASE OF EQUITY LINKED NOTE OF HONG KONG EXCHANGES AND CLEARING LIMITED

Further to the Company's announcement dated 22 September 2015 relating to the Previous Acquisitions, the Group, through its wholly-owned subsidiary, purchased 5 ELNs of HKEx for an aggregate principal amount of HK\$120,000,000 during the period from 19 May 2016 to 27 June 2016.

The Acquisitions constitutes a major transaction under Rule 14.06(2) of the Listing Rules as the certain applicable percentage ratios of the Acquisitions exceed 25% but are less than 100%, therefore the Acquisitions is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE ACQUISITIONS

Reference was made to the Company's major transaction announcement dated 22 September 2015 relating to the Previous Acquisitions of which the Group purchased ELNs of HKEx for an aggregate amount of HK\$160,000,000 during the period from 26 August 2015 to 22 September 2015. The Group, through its wholly-owned subsidiary, purchased 5 ELNs of HKEx for an aggregate principal amount of HK\$120,000,000 during the period from 19 May 2016 to 27 June 2016.

(1) Major Terms of 1st ELN

1.	Trade date:	19 May 2016
2.	Issuer:	J.P. Morgan Structured Products B.V.
3.	Linked equity	HKEx
4.	Principal amount:	HK\$30,000,000
5.	Issue price:	HK\$177.50
6.	Strike price:	HK\$165.1638
7.	Tenor:	2 months
8.	1 st Observation date:	4 July 2016
9.	2 nd Observation date:	2 August 2016
10.	Coupon rate:	15% per annum

** for identification purposes only*

(2) Major Terms of 2nd ELN

1.	Trade Date:	19 May 2016
2.	Issuer:	Hang Seng Bank Limited
3.	Linked equity	HKEx
4.	Principal amount:	HK\$30,000,000
5.	Issue price:	HK\$177.40
6.	Strike price:	HK\$165.0707
7.	Tenor:	2 months
8.	1 st Observation date:	4 July 2016
9.	2 nd Observation date:	2 August 2016
10.	Coupon rate:	15% per annum

(3) Major Terms of 3rd ELN

1.	Trade Date:	27 June 2016
2.	Issuer:	Hang Seng Bank Limited
3.	Linked equity	HKEx
4.	Principal amount:	HK\$20,000,000
5.	Issue price:	HK\$184.4802
6.	Strike price:	HK\$170.7180
7.	Tenor:	2 months
8.	1 st Observation date:	15 August 2016
9.	2 nd Observation date:	12 September 2016
10.	Coupon rate:	15% per annum

(4) Major Terms of 4th ELN

1.	Trade Date:	27 June 2016
2.	Issuer:	Hang Seng Bank Limited
3.	Linked equity	HKEx
4.	Principal amount:	HK\$20,000,000
5.	Issue price:	HK\$184.4802
6.	Strike price:	HK\$170.6995
7.	Tenor:	2 months
8.	1 st Observation date:	15 August 2016
9.	2 nd Observation date:	12 September 2016
10.	Coupon rate:	15% per annum

(5) Major Terms of 5th ELN

1.	Trade Date:	27 June 2016
2.	Issuer:	Goldman Sachs
3.	Linked equity	HKEx
4.	Principal amount:	HK\$20,000,000
5.	Issue price:	HK\$184.1405
6.	Strike price:	HK\$170.4036

7.	Tenor:	2 months
8.	1 st Observation date:	11 August 2016
9.	2 nd Observation date:	9 September 2016
10.	Coupon rate:	15% per annum

ELNs are designated as financial assets at fair value gain through profit or loss. The ELN is subject to mandatory redemption clause at a strike price until maturity dates depending on the market price of the HKEx Share underlying the ELN.

ELN has two payoff possibilities of which the Company shall receive the full face value of the ELN and the coupon on the fixing date (i.e. 1st observation date and/or 2nd observation date) if the underlying stock price closes at or above the strike price of the embedded option. Conversely if the underlying stock price closes below the strike price of the embedded option, the Company will be obliged to take delivery of the underlying shares at the strike price. The number of shares to be received on maturity is calculated by dividing the ELN's full face value by the strike price of the embedded put option.

The maximum risk exposure of the Company is at the time when the Company is obliged to take delivery of the underlying shares at the strike price, and the total amount of the funds for the acquisition of the underlying shares is limited to the principal amount of the ELN.

Principal Amount

The aggregate principal amount of the Acquisitions is HK\$120,000,000 which was paid and satisfied in cash from internal resources of the Company.

REASONS AND BENEFITS OF THE PURCHASE OF ELN

The Group's principal activities are property investment, property development, securities investment and money lending business.

The Directors has a view that ELN is one of the investment options that can earn potentially higher interest income (in the form of interest rates) than normal market deposit; and ELN does not have any brokerage charges and clearing fees on the purchase of the underlying shares until the time when the underlying shares are delivered. By capitalising on share movements, it is an opportunity to maximise market opportunities by earning more attractive interest rate, moreover, ELN has a flexible choice in terms of the share counters and tenors.

Having considered the above factors and the terms of ELN, the present market conditions of the stock market and the track record of HKEx, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON HKEX

According to publicly available information, HKEx is a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 388). According to its company profile available on the internet, HKEx is the holding company of the Stock Exchange, Hong Kong Futures Exchange Limited and Hong Kong Securities Clearing Company Limited and brings together the market organisations which have transformed Hong Kong's financial services industry from a domestically focused market to become a central market place in Asia attracting investment funds from all over the world. HKEx was listed in June 2000 following the integration of Hong Kong's securities and derivatives markets. HKEx services comprise trading, clearing and settlement, depository and nominee services, and information services.

The following information is extracted from the public documents of HKEx:

	For the three months ended 31 March	For the year ended 31 December	
	2016	2015	2014
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	2,751	13,375	9,849
Profit before taxation	1,684	9,278	6,038
Net profit after taxation			
attributable to shareholders of HKEx	1,432	7,956	5,165
Total assets	224,268	238,193	251,860

LISTING RULES IMPLICATIONS

As the highest applicable Percentage Ratio calculated under Rule 14.07 of the Listing Rules in respect of the Acquisitions is more than 25% but less than 100%, the Acquisitions constitutes a major transaction for the Company, which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

When the Acquisition aggregates with the Previous Acquisition is a major transaction and pursuant to Previous Acquisitions which has already been fully complied with the requirements under the Listing Rules, so as to comply with the Listing Rules, the Acquisition shall subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written approvals have been obtained from Sea Rejoice Limited and Magical Profits Limited on the Acquisitions and/or the obligations to take delivery of the underlying shares of HKEx at the strike price on the fixing date. Sea Rejoice Limited and Magical Profits Limited are the substantial shareholders of the Company with an aggregate interest in 46,609,144 Shares, representing approximately 58.69% of the issued share capital of the Company as at the date of this announcement. Sea Rejoice Limited which holds 17,429,664 Shares, representing approximately 21.95% of the issued shares of the Company, is wholly-owned by Ms. Lui Yuk Chu, the vice president and executive director of the Company. Magical Profits Limited, which holds 29,179,480 Shares, representing approximately 36.74% of the issued shares of the Company is wholly-owned by The Winterbotham Trust Company Limited as the 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 the Company) 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.

As at the date of this announcement and to the best of the Directors' knowledge, information and belief, there is no Shareholder who has a material interest in the Acquisitions.

A circular containing, among other things, details of the Acquisitions is expected to be despatched to the Shareholders on or before 25 July 2016 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“1st ELN”	the purchase by the Group on 19 May 2016 of a HKEx ELN for a principal amount of HK\$30,000,000 issued by J.P. Morgan Structured Products B.V. to Coconut King
“2nd ELN”	the purchase by the Group on 19 May 2016 of a HKEx ELN for a principal amount of HK\$30,000,000 issued by Hang Seng Bank Limited to Coconut King
“3rd ELN”	the purchase by the Group on 27 June 2016 of a HKEx ELN for a principal amount of HK\$20,000,000 issued by Hang Seng Bank Limited to Coconut King
“4th ELN”	the purchase by the Group on 27 June 2016 of a HKEx ELN for a principal amount of HK\$20,000,000 issued by Hang Seng Bank Limited to Coconut King
“5th ELN”	the purchase by the Group on 27 June 2016 of a HKEx ELN for a principal amount of HK\$20,000,000 issued by Goldman Sachs to Coconut King
“Acquisitions”	the aggregate purchase of 1st ELN, 2nd ELN, 3rd ELN, 4th ELN and 5th ELN
“Aggregate Acquisitions”	the aggregate transactions of the Acquisitions and the Previous Acquisitions
“Board”	the board of Directors
“Coconut King”	Coconut King Limited was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of Stock Exchange
“Director(s)”	director(s) of the Company
“ELN”	an equity linked note

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKEx”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 388)
“HKEx Shares”	shares with a par value of HK\$1.00 each in the share capital of HKEx
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“major transaction”	as defined in the Listing Rules
“percentage ratios”	as defined in the Listing Rules
“PRC”	the People’s Republic of China
“Previous Acquisitions”	the purchase of 4 ELNs of HKEx during the period from 26 August 2015 to 22 September 2015 for an aggregate principal amount of HK\$160,000,000, details were set out in the circular of the Company dated 29 September 2015. The full face value of these ELNs (ie. HK\$160,000,000) and a total coupon interest of HK\$2,000,000 were received on the maturity date.
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 4 July 2016

As at the date hereof, the 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 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.