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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: 616)

ISSUE OF CONVERTIBLE NOTE AND RESUMPTION OF TRADING

On 28 February, 2008, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has agreed conditionally to subscribe for the Convertible Note with a principal amount of HK\$37,650,000.

The initial Conversion Price of HK\$0.048 per Conversion Share represents: (i) a premium of approximately 11.63% over the closing price of HK\$0.043 per Share on 28 February 2008, prior to the suspension of trading of the Shares on the Stock Exchange at 2:30 pm; (ii) a premium of approximately 9.09% over the closing price of HK\$0.044 per Share on 27 February 2008, the Last Full Trading Day; and (iii) a premium of approximately 22.45% to the average closing price of HK\$0.0392 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Full Trading Day.

Assuming full conversion of the Convertible Note at the initial Conversion Price, the Convertible Note will be convertible into 784,375,000 Shares, representing approximately 13.32% of the existing issued share capital of the Company and approximately 11.75% of the issued share capital of the Company as enlarged by the conversion. The Conversion Shares will be allotted and issued under the General Mandate. The estimated net proceeds from the issue of the Convertible Note will be approximately HK\$37,150,000 and will be applied towards financing the Group's projects in Huzhou, the PRC.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on Thursday, 28 February 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Tuesday, 4 March 2008.

SUBSCRIPTION AGREEMENT

Date: 28 February 2008

Issuer: The Company

Subscriber: Mr. Chen Tien Tui

Subject to the fulfillment of the condition referred to below, the Subscriber has agreed to subscribe for the Convertible Note with a principal amount of HK\$37,650,000.

Condition

Completion of the Subscription Agreement is conditional upon the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares.

Completion of the allotment, issue and subscription of the Convertible Note shall take place on the second Business Day after satisfying the condition above.

In the event that the condition has not been fulfilled on or before 31 May 2008 or such other date as may be agreed between the Company and the Subscriber, the Subscription Agreement will cease to have any force and effect and neither party shall have any rights or obligations thereunder.

Conversion price

The initial Conversion Price of HK\$0.048 per Conversion Share represents: (i) a premium of approximately 11.63% over the closing price of HK\$0.043 per Share on 28 February 2008, prior to the suspension of trading of the Shares on the Stock Exchange at 2:30 pm; (ii) a premium of approximately 9.09% over the closing price of HK\$0.044 per Share on 27 February 2008, the Last Full Trading Day; and (iii) a premium of approximately 22.45% to the average closing price of HK\$0.0392 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Full Trading Day. The Conversion Price will be subject to adjustment for, among other things, subdivision or consolidation of the Shares, the declaration of a dividend in Shares and other dilutive events of a type commonly seen in such securities.

Assuming full conversion of the Convertible Note at the initial Conversion Price, the Convertible Note will be convertible into 784,375,000 Shares, representing approximately 13.32% of the existing issued share capital of the Company and approximately 11.75% of the issued share capital of the Company as enlarged by the conversion. The aggregate nominal value of the Conversion Shares assuming full conversion of the Convertible Note is HK\$7,843,750.

General Mandate

The Conversion Shares will be allotted and issued under the General Mandate. Based on the 3,927,075,240 Shares in issue as at the date of the 2007 annual general meeting of the Company held on 16 August 2007, 785,415,048 Shares can be allotted and issued under the General Mandate (representing 20% of the issued share capital of the Company as at the date of its 2007 annual general meeting), which was approved at the aforesaid general meeting. The General Mandate has not been utilised since it was granted. The Conversion Shares of 784,375,000 Shares will utilise about 99.87% of the General Mandate.

Information of the Subscriber

The Subscriber, Mr. Chen Tien Tui, is a private investor and is a third party independent of the Company and its connected persons (as defined under the Listing Rules), and has confirmed he is not acting in concert with any person in respect of the Company. Mr. Chen is also the director and chief executive officer of Victory City International Holdings Limited (stock code: 539), a company listed on the main board of the Stock Exchange, which is principally engaged in the production and sale of knitted fabric and dyed yarn, provision of related subcontracting services, and trading of garment products and provision of inspection services.

As at the date of this announcement, Mr. Chen Tien Tui did not have any holding in the Shares.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note were determined after arm's length negotiations between the parties and are summarized below:

Principal amount: The principal amount of the Convertible Note is HK\$37,650,000.

Interest: 1% per annum, payable semi-annually in arrears.

Maturity Date: One year after the first issue of the Convertible Note or such extended date as may be agreed between the Subscriber and the Company in writing.

Status: The Convertible Note constitutes general, unsecured obligations of the Company and will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. No application will be made for a listing of the Convertible Note in any jurisdiction.

Transferability: The Convertible Note may not be assigned or transferred in whole or in part.

Conversion Rights: The Noteholder has the right to convert the whole or part of the principal amount of the Convertible Note into Conversion Shares at any time and from time to time in amounts of not less than HK\$1,000,000 on each conversion, save that if at any time the principal outstanding amount of the Convertible Note is less than HK\$1,000,000, the whole (but not part only) of the principal outstanding amount of the Convertible Note may be converted.

Ranking of Conversion Shares: The Conversion Shares will, upon issued, rank pari passu in all respects with the Shares then in issue.

Voting: The Noteholder shall not by reason only of being the Noteholder be entitled to receive notices of, attend or vote at any meetings of the Company.

Redemption: The Company has no obligation to redeem the Convertible Note prior to the Maturity Date unless an event of default as provided in the terms and conditions of the Convertible Note has occurred prior to the Maturity Date and the Noteholder serves a notice on the Company requiring the Convertible Note to be redeemed.

Events of default include:

- (i) where an offer is made to Shareholders to acquire all or any proportion of the Shares becoming unconditional;
- (ii) the Company fails to pay interest on the Convertible Note when due;
- (iii) the Company defaults in performance or observance or compliance with any of its other obligations set out in the conditions of the Convertible Note;
- (iv) it becomes unlawful for the Company to perform or comply with any one or more of its obligations under the Convertible Note;
- (v) any other present or future indebtedness of the Company or any of its major subsidiaries for or in respect of any moneys borrowed or raised for an amount of HK\$10,000,000 or more becomes due and payable prior to its stated maturity by reason of any default or event of default, otherwise than at the option of the Company or such major subsidiary, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or the Company or any of its major subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of any indebtedness, guarantees and indemnities in respect of any money borrowed for an amount of HK\$10,000,000 or more;
- (vi) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries;

- (vii) the Company or any of its major subsidiaries becomes insolvent or is unable to pay its debts as they mature;
- (viii) an order is made or an effective resolution passed for winding-up of the Company or any of its major subsidiaries except in the case of voluntary winding-up of subsidiaries in the course of internal reorganization; or
- (ix) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its major subsidiaries or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or part of the assets of the Company or any of its major subsidiaries.

REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTE

The Group is principally engaged in the bleaching and dyeing and knitting business.

The Directors believe that the issue of the Convertible Note to the Subscriber will allow the Company to raise additional funds at relatively low cost. In addition, if the conversion rights attaching to the Convertible Note are exercised, the shareholder and equity capital base of the Company will be further enlarged and strengthened.

The Directors (including the independent non-executive Directors) consider the terms of the Convertible Note, which were arrived at after arm's length negotiation between the Company and the Subscriber are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

As stated in the interim report of the Company for the six months ended 30 September 2007, the commencement of the construction work for the Group's knitting production plant in Huzhou was pending the granting of the necessary permit. Once the required permit is obtained, the construction work will commence as soon as possible. According to the management of the Company, the estimated construction costs for the knitting production plant is about RMB80.4 million. Separately, construction work of the Group's garment production plants, staff and labour quarters and administrative office building in Huzhou is expected to be completed by the end of 2008, which remaining construction costs are approximately

RMB26.4 million. The net proceeds from the issue of the Convertible Note is approximately HK\$37,150,000 and will be applied towards financing the Group's aforesaid projects in Huzhou, the PRC. Having taken into account the relevant expenses of this exercise, the net price for each Conversion Share is HK\$0.047.

FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

The following table summarises the fund raising activity of the Group for the 12 months immediately preceding the date of this announcement:

Date of Announcement	Event	Net proceeds raised	Intended use of proceeds from fund raising	Actual use of proceeds as at the date of this announcement
6 December 2007	Rights issue of 1,963,537,620 rights shares on the basis of one rights share for every two shares held	HK\$100 million	To finance the construction of the production plants of its Huzhou project and for general working capital of the Group	The net proceeds have not been deployed. Pending deployment, they have been deposited into an interest bearing bank account.

EFFECT ON SHAREHOLDING STRUCTURE AS A RESULT OF THE CONVERSION OF THE CONVERTIBLE NOTE

As at the date of this announcement, the Company had 5,890,612,860 Shares in issue. The effect on the shareholding structure of the Company in the event of a full conversion of the Convertible Note will be as follows:

	Shareholding as at the date of this announcement		Shareholdings immediately after the Convertible Note are fully converted into Shares	
	No. of Shares	% of shareholding	No. of Shares	% of shareholding
Landmark Profits Noteholder	2,116,278,780	35.93	2,116,278,780	31.70
Public	—	—	784,375,000	11.75
	<u>3,774,334,080</u>	<u>64.07</u>	<u>3,774,334,080</u>	<u>56.55</u>
	<u>5,890,612,860</u>	<u>100.00</u>	<u>6,674,987,860</u>	<u>100.00</u>

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on Thursday, 28 February 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Tuesday, 4 March 2008.

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Easyknit Enterprises Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Convertible Note”	the convertible note with a principal amount of HK\$37,650,000 to be issued by the Company pursuant to the Subscription Agreement
“Conversion Price”	the price per Share at which the Convertible Note may be converted into Shares
“Conversion Shares”	the Shares to be issued by the Company upon exercise by the Noteholder of the conversion rights attaching to the Convertible Note
“Director(s)”	director(s) of the Company

“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
“General Mandate”	the general mandate granted to the Directors at the 2007 annual general meeting of the Company held on 16 August 2007 to allot and issue up to 785,415,048 Shares based on 3,927,075,240 Shares in issue as at the date of the 2007 annual general meeting of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, which is a 35.93% controlling Shareholder
“Last Full Trading Day”	27 February 2008, being the last full trading day of the Shares on the Stock Exchange prior to the signing of the Subscription Agreement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Noteholder”	the holder of the Convertible Note
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Chen Tien Tui
“Subscription Agreement”	the subscription agreement dated 28 February 2008 between the Company and the Subscriber in relation to the subscription by the Subscriber of the Convertible Note
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

As at the date of this announcement, the Board comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu 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.

A copy of this announcement will be posted on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.easyknitenterp.com>.

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

Hong Kong, 3 March 2008

* *For identification only*