

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



EASYKNIT ENTERPRISES HOLDINGS LIMITED

永義實業集團有限公司*

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE: 616)

PROPOSED CAPITAL REORGANISATION

PROPOSED CAPITAL REORGANISATION

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 comprising 20,000,000,000 Shares of HK\$0.01 each, of which 6,674,987,860 Shares have been issued and fully paid. The Company proposes to put forward for approval by the Shareholders the Capital Reorganisation involving:-

- (i) Issued Capital Reduction — the issued share capital of the Company will be reduced by cancelling the paid up capital to the extent of HK\$0.0099 on each issued Share such that the nominal value of all the issued Shares will be reduced from HK\$0.01 each to HK\$0.0001. Accordingly, based on the number of Shares in issue as at the date of this announcement, the issued share capital of the Company of HK\$66,749,878.60 comprising 6,674,987,860 Shares will be reduced by approximately HK\$66,082,379.81 to approximately HK\$667,498.79 comprising 6,674,987,860 Reduced Shares of HK\$0.0001 each;
- (ii) Authorised Capital Reduction — the nominal value of all shares in the authorised share capital of the Company be also reduced from HK\$0.01 each to HK\$0.0001 each, resulting in the reduction of the authorised share capital from HK\$200,000,000 to HK\$2,000,000 divided into 20,000,000,000 shares of HK\$0.0001 each;
- (iii) Share Consolidation — upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, every one hundred (100) issued and unissued Reduced Shares be consolidated into one (1) Consolidated Share of HK\$0.01 each;

- (iv) Authorised Capital Increase — upon the Issued Capital Reduction, the Authorised Capital Reduction and the Share Consolidation becoming effective, the authorised share capital of the Company be increased from HK\$2,000,000 divided into 200,000,000 Consolidated Shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Consolidated Shares of HK\$0.01 each by the creation of 19,800,000,000 new Consolidated Shares; and
- (v) Set-Off against Accumulated Losses — upon the Issued Capital Reduction, the Authorised Capital Reduction, the Share Consolidation and the Authorised Capital Increase becoming effective, the credit amount arising from the Capital Reduction be transferred to the contributed surplus account of the Company, and the application of the appropriate amounts therein to set off against part of the accumulated losses of the Company.

The Capital Reorganisation is conditional upon, inter alia, the approval of the Shareholders at the SGM.

PROPOSED CAPITAL REORGANISATION

Background

The Company proposes to put forward the Capital Reorganisation and the terms expressed below, for approval by the Shareholders:

- (a) Issued Capital Reduction — the issued share capital of the Company be reduced by cancelling the paid up capital to the extent of HK\$0.0099 on each issued Share such that the nominal value of all the issued Shares will be reduced from HK\$0.01 each to HK\$0.0001. Accordingly, based on the number of Shares in issue as at the date of this announcement, the issued share capital of the Company of HK\$66,749,878.60 comprising 6,674,987,860 Shares will be reduced by approximately HK\$66,082,379.81 to approximately HK\$667,498.79 comprising 6,674,987,860 Reduced Shares of HK\$0.0001 each;
- (b) Authorised Capital Reduction — the nominal value of all shares in the authorised share capital of the Company be also reduced from HK\$0.01 each to HK\$0.0001 each, resulting in the reduction of the authorised share capital from HK\$200,000,000 to HK\$2,000,000 divided into 20,000,000,000 shares of HK\$0.0001 each;

- (c) Share Consolidation — upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, every one hundred (100) issued and unissued Reduced Shares be consolidated into one (1) Consolidated Share of HK\$0.01 each;
- (d) Authorised Capital Increase — upon the Issued Capital Reduction, the Authorised Capital Reduction and the Share Consolidation becoming effective, the authorised share capital of the Company be increased from HK\$2,000,000 divided into 200,000,000 Consolidated Shares by the creation of 19,800,000,000 new Consolidated Shares; and
- (e) Set-Off against Accumulated Losses — upon the Issued Capital Reduction, the Authorised Capital Reduction, the Share Consolidation and the Authorised Capital Increase becoming effective, the credit amount of HK\$66,082,379.81 arising from the Capital Reduction will be transferred to the contributed surplus account of the Company to set off against part of the accumulated losses of the Company amounting to HK131,747,676.06 as at 31 March, 2008. After the setting off, the balance of accumulated losses of the Company is expected to be HK\$65,665,296.25.

The issued Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

Details of the arrangements with regard to the parallel trading arrangements, Consolidated Shares odd lot matching services and the free exchange of Consolidated Share certificates will be included in the Circular to be despatched to the Shareholders.

Financial effects of the Capital Reorganisation

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

Reasons for the Capital Reorganisation and change in board lot size

The Board believes that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole.

The Share Consolidation will reduce the number of board lots in the market. The existing Shares are presently traded in board lots of 5,000. It is proposed that the Consolidated Shares will be traded in board lots of 2,000. Accordingly, the market price of the Shares will increase by 100 times theoretically upon the Share Consolidation becoming effective. Based on the closing price quoted on the Stock Exchange on the last trading day prior to the date of this announcement of HK\$0.017 per Share, the value per board lot of 5,000 Shares and 2,000 Consolidated Shares are HK\$85 and HK\$3,400 respectively. The transaction cost per dollar value of each Consolidated Share will therefore be lower.

After the completion of the Capital Reorganisation, it is expected that the market value of the Consolidated Shares will be above the nominal value of the Consolidated Shares of HK\$0.01 each. The Board is of the opinion that the proposed nominal value of the Consolidated Shares to be maintained at HK\$0.01 each will provide the Company with greater flexibility for the issue of new Consolidated Shares in the future and is thus in the interests of the Company and Shareholders as a whole. The Board has no present intention to issue any new Consolidated Shares.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following:

- (a) the passing by the Shareholders of the necessary resolutions at the SGM to approve the Capital Reorganisation;
- (b) the compliance with the relevant legal procedures and requirements under the Companies Act to effect the Capital Reorganisation;
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

Expected effective date of the Capital Reorganisation

Subject to the above conditions being fulfilled, the Capital Reorganisation is expected to become effective on 9:30 a.m. on 23 September, 2008.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consolidated Shares in issue after the Capital Reorganisation becoming effective.

Effect on the share capital of the Company

The following table shows the effects on the share capital of the Company under the Capital Reorganisation on the basis of the existing issued share capital of the Company and assuming no further issue of new Shares from the date of this announcement up to the date on which the Capital Reorganisation becoming effective:

Authorised share capital

20,000,000,000	Shares with a par value of HK\$0.01 each as at the date of this announcement	HK\$200,000,000
20,000,000,000	Consolidated Shares with a par value of HK\$0.01 each after Capital Reorganisation becoming effective	HK\$200,000,000

Issued share capital (paid up or credited as fully paid up)

6,674,987,860	Shares with a par value of HK\$0.01 each as at the date of this announcement	HK\$66,749,878.60
66,749,878.60	Consolidated Shares with a par value of HK\$0.01 each after Capital Reorganisation becoming effective	HK\$667,498.79

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed Get Nice Securities Limited to provide matching service, on best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of Consolidated Shares. Shareholders who wish to utilise the service should contact Get Nice Securities Limited at (852) 2526 7738 or at 10/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong, during the period from Thursday, 9 October 2008 to 4:10 p.m. on Wednesday, 29 October 2008, both days inclusive.

Holders of Consolidated Shares in odd lots should note that successful matching of the sale and purchase of odd lots of Consolidated Shares will not be guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt about the above arrangement.

The existing share certificate of the Shares is light blue in colour and the new share certificate for the Consolidated Shares will be orange in colour so as to distinguish from the certificate of existing Shares. Details of arrangement on Consolidated Shares will be disclosed in the Circular to be despatched to the Shareholders.

Fractional entitlement of the Consolidated Shares

Fractions of Consolidated Shares, if any, arising from and upon the Share Consolidation to which the Shareholders are otherwise entitled will not be issued to them but will be aggregated and sold (less expenses) for the benefit of the Company.

Expected timetable

The expected timetable for the Capital Reorganisation is set out below:

2008

Despatch of circular and notice of SGMFriday, 29 August

Latest time for return of proxy form of SGM

(not less than 48 hours before the SGM)9:00 a.m., Saturday, 20 September

Expected date and time of SGM9:00 a.m., Monday, 22 September

Effective date of the Capital Reorganisation9:30 a.m. Tuesday, 23 September

Commencement of dealings in Consolidated SharesTuesday, 23 September

Original counter for trading in Shares (in

board lots of 5,000 Shares) to be closed9:30 a.m., Tuesday, 23 September

Temporary counter for trading in

Consolidated Shares in board lots of

50 Consolidated Shares (in form of

existing share certificates) to be opened9:30 a.m., Tuesday, 23 September

Free exchange of existing share certificates

for new share certificates commencesTuesday, 23 September

Original counter for trading in
Consolidated Shares (in board lots
of 2,000 Consolidated Shares)
to be re-opened9:30 a.m., Thursday, 9 October

Parallel trading in Consolidated Shares
(in form of new and existing
certificates) begins9:30 a.m., Thursday, 9 October

Designated broker starts to stand in the market
to provide matching services for the sale and
purchase of odd lots of Consolidated SharesThursday, 9 October

Temporary counter for trading in
Consolidated Shares in board lots of
50 Consolidated Shares (in form of
existing share certificates) to be closed4:10 p.m., Wednesday, 29 October

Parallel trading in Consolidated
Shares (in form of new and
existing certificates) ends4:10 p.m., Wednesday, 29 October

Designated broker ceases to stand
in the market to provide matching
services for the sale and purchase of
odd lots of Consolidated Shares4:10 p.m., Wednesday, 29 October

Free exchange of existing share certificates
for new share certificates endsTuesday, 4 November

Dates or deadlines specified in this announcement are indicative only and may be exercised or varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders appropriately.

GENERAL

The Circular containing, inter alia, further information on the Capital Reorganisation and a notice of the SGM will be despatched to the Shareholders as soon as practicable. The Capital Reorganisation will be subject to the approval by the Shareholders at the SGM.

DEFINITIONS

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

“Authorised Capital Reduction”	the reduction of the nominal value of all shares in the authorised share capital of the Company from HK\$0.01 each to HK\$0.0001 each, resulting in the reduction of the authorised share capital from HK\$200,000,000 to HK\$2,000,000 divided into 20,000,000,000 shares of HK\$0.0001 each
“Authorised Capital Increase”	upon the Issued Capital Reduction, the Authorised Capital Reduction and the Share Consolidation becoming effective, the increase of the authorised share capital of the Company from HK\$2,000,000 divided into 200,000,000 Consolidated Shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Consolidated Shares of HK\$0.01 each by the creation of 19,800,000,000 new Consolidated Shares
“Board”	the board of Directors
“Capital Reorganisation”	the Issued Capital Reduction, the Authorised Capital Reduction, the Share Consolidation, the Authorised Capital Increase and the Set-Off against Accumulated Losses
“Circular”	the circular containing further information on the Capital Reorganisation and the notice of SGM to approve the relevant resolutions
“Company”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Companies Act”	Companies Act 1981 of Bermuda (as amended)

“Consolidated Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation becoming effective
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issued Capital Reduction”	the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.0099 on each issued Share such that the nominal value of all the issued Shares will be reduced from HK\$0.01 each to HK\$0.0001
“Reduced Share(s)”	share(s) of HK\$0.0001 each in the share capital of the Company after the Issued Capital Reduction and the Authorised Capital Reduction becoming effective
“Set-Off against Accumulated Losses”	upon the Issued Capital Reduction, the Authorised Capital Reduction, the Share Consolidation and the Authorised Capital Increase taking effect, the transfer of the credit amount arising from the Capital Reduction to the contributed surplus account of the Company, and the application of the appropriate amounts therein to set off against the total accumulated losses of the Company
“SGM”	the special general meeting of the Company expected to be held at 9:00 a.m. on Monday, 22 September, 2008 at which resolutions will be proposed to consider and, if thought fit, approve the Capital Reorganisation
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company before the Capital Reorganisation becoming effective

“Share Consolidation”	upon the Issued Capital Reduction and the Authorised Capital Reduction taking effect, the consolidation of every one hundred (100) issued and unissued shares of HK\$0.0001 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$0.01 each
“Shareholder(s)”	holder(s) of Share(s) or Consolidated Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

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

Hong Kong, 14 August, 2008

As at the date hereof, 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.

** For identification only*