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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)

**PROPOSED RIGHTS ISSUE
OF 667,499,000 RIGHTS SHARES
OF HK\$0.01 EACH AT HK\$0.15 PER RIGHTS SHARE
ON THE BASIS OF TEN RIGHTS SHARES
FOR EVERY EXISTING SHARE HELD
AND
RESUMPTION OF TRADING**

Underwriter of the Rights Issue



結好証券有限公司
GET NICE SECURITIES LIMITED

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$100 million before expenses by way of the rights issue of 667,499,000 Rights Shares at a subscription price of HK\$0.15 per Rights Share on the basis of 10 Rights Shares for every existing Share held by the Qualifying Shareholders on the Record Date. The Company plans to use the net proceeds from the Rights Issue to finance the Huzhou Project and for general working capital of the Group.

The Rights Issue will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. Further details of the underwriting arrangement are set out in the paragraph in this announcement headed “Underwriting Agreement dated 5 November 2008”.

The aggregate number of Rights Shares to be issued represents 10 times of the Company’s existing issued share capital and 90.9% of the Company’s enlarged issued share capital of the Company immediately following the completion of the Rights Issue. As the Rights Issue will increase the issued share capital of the Company by more than 50%, pursuant to rule 7.19(6)(a) of the Listing Rules, the Rights Issue will be subject to approval from Independent Shareholders at the SGM.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

To qualify for the Rights Issue, a Qualifying Shareholder’s name must appear on the register of members of the Company on the Record Date. In order for their owners to be registered as members on the Record Date, any transfers of the Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Tuesday, 16 December 2008.

A circular containing further information on the Rights Issue, together with a notice of the SGM and the Prospectus Documents setting out details of the Rights Issue will be despatched to the Shareholders as soon as practicable. The proposed Rights Issue is conditional upon, among other things, approval from the Independent Shareholders of the proposed Rights Issue at the SGM and approval of the Undertaking by shareholders of Easyknit International at a special general meeting of Easyknit International.

In accordance with the Listing Rules, Landmark Profits and its associates will abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. An independent board committee of the Company comprising the independent non-executive Directors will be appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue. The members of the independent board committee of the Company have no material interest in the Rights Issue. Menlo Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders as to whether the terms and conditions of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Thursday, 6 November 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Thursday, 13 November 2008.

1. PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	: 10 Rights Shares for every existing Share held on the Record Date
Number of Shares in issue	: 66,749,900 Shares as at the date of this announcement
Number of Rights Shares	: 667,499,000 Rights Shares
Subscription price per Rights Share	: HK\$0.15

Share option scheme

As at the date of this announcement, the Company does not have any share options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Convertible note

The Company issued a convertible note with a principle amount of HK\$37,650,000 to a third party as disclosed in its announcements dated 3 and 12 March 2008 respectively. The initial conversion price was HK\$0.048 per Share. During the period between April and June 2008, the whole of the principal amount of the convertible note of HK\$37,650,000 had been converted at the initial conversion price. As a result of the conversion, a total of 784,375,000 Shares were allotted and duly issued.

Subscription Price

The subscription price for the Rights Shares is HK\$0.15 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or, where applicable, on application for excess Rights Shares under the Rights Issue. Such Subscription Price represents:

	<i>HK\$</i>	<i>Premium/ (Discount) (%)</i>
(a) Closing price per Share quoted on the Stock Exchange on the Last Trading Day	0.35	(57.14)
(b) Theoretical ex-rights price calculated based on the closing price per Share quoted on the Stock Exchange on the Last Trading Day	0.17	(11.76)
(c) Average closing price per Share for the last 5 full trading days quoted on the Stock Exchange up to and including the Last Trading Day	0.32	(53.13)
(d) Average closing price per Share for the last 10 full trading days quoted on the Stock Exchange up to and including the Last Trading Day	0.31	(51.61)
(e) Net asset value per Share based on the audited net asset value of the Group of approximately HK\$266,965,000 as at 31 March 2008 as stated in the annual report of the Company for the year ended 31 March 2008 and 66,749,900 Shares in issue at the date of this announcement	4.00	(96.25)

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the recent market prices of the Shares. The Directors consider the terms of the Rights Issue, including the Subscription Price, the relevant discounts and the underwriting commission as further discussed below, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

10 Rights Shares for every existing Share held by a Qualifying Shareholder on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted.

Status of the Rights Shares

The Rights Shares, when fully-paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Fractions of Rights Shares

Fractional entitlements, if any, for the nil-paid Rights Shares will not be issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company.

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Thursday, 15 January 2009 to those who have accepted or (where applicable) applied for, and paid for the Rights Shares, by ordinary post at their own risk.

Refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 15 January 2009 by ordinary post to the applicants at their own risk.

Qualifying Shareholders

To qualify for the Rights Issue, investors must be registered as a member of the Company at the close of business on the Record Date.

In order to be registered as members of the Company at the close of business on the Record Date, owners must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 16 December 2008.

The Company will send the Prospectus Documents to the Qualifying Shareholders.

Non-Qualifying Shareholders

The Prospectus will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. If there are any Overseas Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong as at the Record Date, the Company will exclude such Non-Qualifying Shareholders from the Rights Issue if based on advice provided by the relevant legal advisers, the Directors consider that such exclusion is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or requirements of the relevant regulatory body or stock exchange in that place pursuant to Rule 13.36(2) of the Listing Rules. Accordingly, the Rights Shares will not be offered to such Non-Qualifying Shareholders.

The Company will send the Prospectus only (without any PAL and EAF) to the Non-Qualifying Shareholders for their information.

The Company will make arrangements for Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid to the Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 17 December 2008 to Friday, 19 December 2008 (both dates inclusive). No transfers of Shares will be registered during this period.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares can be made only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on following principles:

- (i) preference will be given to applications for topping-up odd lots holdings to whole lot holdings; and
- (ii) subject to availability of the excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro-rata basis based on the excess Rights Shares applied by them, with board lots allocation to be made on best effort's basis.

Investors with their Shares held by a nominee should note that the nominee is a single Shareholder according to the register of the members of the Company for the purposes of the Rights Issue. Accordingly, investors whose Shares are registered in the names of nominee should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by nominee(s) and would like to have their names registered on the register of members of the Company, must lodge all necessary document with the branch share registrar of the Company in Hong Kong for completion of the relevant registration by 4:00 p.m. on Tuesday, 16 December 2008.

The latest time for acceptance of Rights Shares is expected to be at 4:00 p.m. on Friday, 9 January 2009, or such later date or time as may be agreed between the Company and the Underwriter.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights

Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 2,000, registered in the branch register of members of the Company in Hong Kong, will be subject to the payment of stamp duty in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, each of the following:

1. the Listing Committees of the Stock Exchange agreeing to grant listings of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the dates specified in such approvals and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;
2. the delivery to the Stock Exchange and filing and registration of all documents relating to the Rights Issue required by law to be filed, with the Registrars of Companies in Hong Kong and Bermuda respectively;
3. if required, the Bermuda Monetary Authority granting its consent for the issue of the Rights Shares;
4. the posting of the Prospectus Documents to the Qualifying Shareholders;
5. the passing of a resolution by the Independent Shareholders approving the Rights Issue at a special general meeting of the Company in accordance with the Listing Rules; and
6. the passing of a resolution by shareholders of Easyknit International approving the undertaking given by Landmark Profits at a special general meeting of Easyknit International in accordance with the Listing Rules.

The Rights Issue will not proceed if the Underwriting Agreement is terminated.

In the event that the conditions of the Rights Issue are not fulfilled on or before the despatch of the Prospectus Documents (or that condition (1) above has not been satisfied on or before 4:00 p.m. on the Settlement Date), all liabilities of

the parties thereto shall cease and determine and neither party shall have any claim against the other (except that certain expenses of the Underwriter shall remain payable by the Company) and the irrevocable undertaking by Landmark Profits to accept its entitlement under the Rights Issue will lapse and the Rights Issue will not proceed.

2. UNDERWRITING AGREEMENT DATED 5 NOVEMBER 2008

The Underwriter has agreed to fully underwrite the 455,871,130 Rights Shares (being all the 667,499,000 Rights Shares under the Rights Issue less the 211,627,870 Rights Shares to be issued to and accepted by Landmark Profits). To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholder are third parties independent of the Company and connected persons of the Company.

In the Underwriting Agreement, the Underwriter has undertaken to the Company that it will enter into sub-underwriting agreements such that none of the Underwriter and the sub-underwriter (together with parties acting in concert with them) will hold 30% or more of the issued share capital of the Company after completion of the Rights Issue and will procure independent placees to take up such number of Rights Shares as recovery to ensure compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue.

As the date hereof, the Underwriter has confirmed to the Company that it has entered into sub-underwriting agreements such that each of the Underwriter and the sub-underwriters together with their respective parties acting in concert with any of them will not hold 30% or more of the issued share capital of the Company upon the completion of the Rights Issue.

Commission

The Company will pay the Underwriter an underwriting commission of 1.0% of the aggregate subscription price of the Rights Shares underwritten by it, out of which the Underwriter will or may pay any sub-underwriting fees. The Directors believe that the underwriting commission accords with market rates.

Undertaking from Landmark Profits

As at the date of this announcement, Easyknit International, through Landmark Profits, is interested in 21,162,787 Shares, representing approximately 31.7% of the total issued share capital of the Company. Pursuant to the Underwriting Agreement, Landmark Profits has signed the Undertaking in favour of the Company and the Underwriter pursuant to which it has conditionally undertaken, inter alia, that the Shares held by it on the date of the Undertaking will remain registered in its name as at 4.00 p.m. on the Record Date and that the Rights Shares to be provisionally allotted to it in respect of those Shares (representing 211,627,870 Rights Shares) will be taken up and paid for in full by it. The obligations of Landmark Profits under the Undertaking are conditional upon the approval by shareholders of Easyknit International at the SGM in accordance with the Listing Rules. If this condition is not fulfilled on or before 4:00 p.m. on the date of despatch of the Prospectus Documents (or such other date as the Company, the Underwriter and Landmark Profits may agree), all liabilities of Landmark Profits thereunder shall cease and determine and no party shall have any claims against the other for matters referred to in the Undertaking. The Undertaking will also lapse if the Rights Issue does not become unconditional in accordance with its terms. Landmark Profits will not apply for any excess Rights Shares.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date if:

1. there occurs:
 - (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
 - (b) 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 Underwriting Agreement) of a political, military, financial, economic or 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 such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

(c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
3. the Underwriter receives notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
4. the Prospectus Documents, when published, contain information which would be untrue or inaccurate in any material respect and the Company has failed to send out promptly any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses payable under it (other than the underwriting commission). If the Underwriter exercises such right, the Rights Issue will not proceed.

3. WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Monday, 15 December 2008. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 24 December 2008 to Tuesday, 6 January 2009 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Wednesday, 24 December 2008 to Tuesday, 6 January 2009 (both dates inclusive) will bear the risk that the Rights Issue may not become unconditional and may not proceed. If in any doubt, investors are recommended to consult their professional advisers.

4. EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Last day of dealings in Shares on a cum-rights basis	Friday, 12 December 2008
First day of dealings in Shares on an ex-rights basis	Monday, 15 December 2008
Latest time for lodging transfers of Shares in order to qualify for Rights Issue	4:00 p.m., Tuesday, 16 December 2008
Register of members closes	Wednesday, 17 December 2008 to Friday, 19 December 2008 (both dates inclusive)
SGM	Friday, 19 December 2008
Record Date	Friday, 19 December 2008
Register of members re-opens	Monday, 22 December 2008
Despatch of Prospectus Documents	Monday, 22 December 2008

First day of dealings in
nil-paid Rights SharesWednesday, 24 December 2008

Latest time for splitting of
nil-paid Rights Shares4:00 p.m. on Wednesday, 31 December 2008

Last day of dealings in
nil-paid Rights SharesTuesday, 6 January 2009

Latest time for acceptance of the
Rights Issue as well as application
for excess Rights Shares and
payment of consideration thereof4:00 p.m. on Friday, 9 January 2009

Latest time for Rights Issue and
Underwriting Agreement to
become unconditional.....after 4:00 p.m. on
Tuesday, 13 January 2009

Announcement of results of
acceptance and excess applications
of the Rights IssueWednesday, 14 January 2009

Despatch of refund cheques
for wholly and partially
unsuccessful excess applicationsThursday, 15 January 2009

Despatch of certificates
for fully-paid Rights SharesThursday, 15 January 2009

First day of dealings in
fully-paid Rights SharesFriday, 16 January 2009

Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Rights Issue refer to Hong Kong local time and are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be notified to Shareholders.

5. SHAREHOLDING IN THE COMPANY

The shareholdings in the Company before the Rights Issue and immediately after completion of the Rights Issue are and will be as follows:

	Existing shareholding		After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders or sold in the market)		After completion of the Rights Issue (assuming only Landmark Profits takes up its Rights Shares)	
	Shares	%	Shares	%	Shares	%
Landmark Profits	21,162,787	31.7	232,790,657	31.7	232,790,657	31.7
Public	45,587,113	68.3	501,458,243	68.3	45,587,113	6.2
Underwriter (<i>Note</i>)	—	—	—	—	455,871,130	62.1
Total	<u>66,749,900</u>	<u>100.0</u>	<u>734,248,900</u>	<u>100.0</u>	<u>734,248,900</u>	<u>100.0</u>

Note: The Underwriter has confirmed to the Company that it has entered into sub-underwriting agreements such that each of the Underwriter and the sub-underwriters together with their respective parties acting in concert with any of them will not hold 30% or more of the issued share capital of the Company upon the completion of the Rights Issue.

6. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The estimated expenses of the Rights Issue amount to approximately HK\$2 million and will be borne by the Company. The estimated net proceeds of the Rights Issue will be approximately HK\$98 million.

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

As announced by the Company on 3 January 2005, 30 November 2005 and 20 October 2008 respectively, the Company has made certain commitments towards the Huzhou Project. As at the date of this announcement, the Company has made an aggregate investment of approximately RMB149 million in the Huzhou Project, which includes (a) the consideration for the acquisition of land for the Huzhou Project of approximately RMB39 million; (b) the cost of the construction of approximately RMB94 million; and (c) the payment of deposit of approximately RMB16 million to the Huzhou Government's contractor for the construction of the dyeing and bleaching facilities. The outstanding cost required in respect of the Huzhou Project is approximately RMB370 million. The Company intends to utilise (i) approximately HK\$58 million of the net proceeds from the Rights Issue to finance the Huzhou Project in relation to the

construction of the plant and the development of manufacturing operations; and (ii) the remaining net proceeds of approximately HK\$40 million for general working capital of the Group. The Directors believe that the Huzhou Project will help the Group increase its production capacity, enrich its product portfolio and enhance its income sources.

The Directors are of the view that it is prudent to finance the long-term growth of the Group by long-term funding in the form of equity, which will not incur additional interest expense. This is especially so in light of the current global credit crisis. The Directors believe that enhancing the Company's capital base by way of the Rights Issue which will allow the Qualifying Shareholders to have the opportunity to participate in the growth of the Company. The Rights Issue also allows the Company to broaden its Shareholders' base without diluting their corresponding shareholdings. On this basis, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Rights Issue.

7. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Thursday, 6 November 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Thursday, 13 November 2008.

8. CAPITAL RAISING ACTIVITIES DURING PAST 12 MONTHS

The capital raising activities during the 12 months immediately preceding the date of this announcement are summarised below. Save for the below, the Company has not carried out any other capital raising activities during that period.

Date of announcement	Event	Net proceeds	Original intended use of the proceeds	Actual use of proceeds
6 December 2007	Rights issue on the basis of one rights share for every two shares held	HK\$102.1 million	To finance the construction of the production plants of the Huzhou Project and for general working capital of the Group	HK\$38 million has been utilised for the Huzhou Project
3 March 2008 and 12 March 2008	Convertible note at an initial conversion price of HK\$0.048 with interest of 1% per annum payable semi-annually in arrears	HK\$37.65 million	To finance the Huzhou Project	Such proceeds have not been utilised and currently being placed in a financial institution for interest income

9. GENERAL

A circular containing further information on the Rights Issue, together with a notice of the SGM and the Prospectus Documents will be despatched to the Shareholders as soon as practicable. Shareholders and potential investors should exercise caution in dealing in the Shares. As the Rights Issue will increase the issued share capital of the Company by more than 50%, pursuant to rule 7.19(6)(a) of the Listing Rules, the Rights Issue will be subject to approval from Independent Shareholders at the SGM. The proposed Rights Issue is also conditional upon, among other things, approval of the Undertaking by shareholders of Easyknit International at a special general meeting of Easyknit International.

In accordance with the Listing Rules, Landmark Profits and its associates will abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. An independent board committee of the Company comprising the independent non-executive Directors will be appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue. The members of the independent board committee of the Company have no material interest in the Rights Issue. Menlo Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders as to whether the terms and conditions of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Acceptance Date”	4:00 p.m. on 9 January 2009 (or such other time or date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment of, Rights Shares)
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks are open for business for more than five hours in Hong Kong

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular containing further information on the Rights Issue, together with the notice of SGM to approve the Rights Issue
“Company”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huzhou Project”	acquisition of a land of approximately 632 mu at the West of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, PRC and the development of manufacturing production, bleaching, dyeing and knitting operations and the construction of the waste water treatment plant
“Independent Shareholders”	Shareholders other than Landmark Profits and its associates
“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 holds 31.7% of the issued shares of the Company and is a controlling shareholder of the Company
“Last Trading Day”	5 November 2008, being the last trading day before the suspension of the trading in the Shares, pending the release of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong or Bermuda
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“PRC”	the People’s Republic of China
“Prospectus”	a prospectus containing details of the Rights Issue to be issued in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	19 December 2008 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the proposed rights issue of 667,499,000 Rights Shares at a subscription price of HK\$0.15 per Rights Share on the basis of 10 Rights Shares for every existing Share held on the Record Date
“Rights Share(s)”	667,499,000 Share(s) to be issued and allotted under the Rights Issue

“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Date”	the date being the second Business Day following the Acceptance Date or such later date as the Company and the Underwriter may agree
“SGM”	the special general meeting of the Company expected to be held on Friday, 19 December 2008 at which resolutions will be proposed to consider and, if thought fit, approve the Rights Issue
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.15 per Rights Share under the Rights Issue
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Undertaking”	the conditional undertaking letter dated 5 November 2008 from Landmark Profits to Easyknit Enterprises and the Underwriter as described in the section headed “Undertaking from Landmark Profits” in this announcement
“Underwriter”	Get Nice Securities Limited, a deemed licensed corporation to carry out business in 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 SFO
“Underwriting Agreement”	the underwriting agreement dated 5 November 2008 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent.” percentage or per centum

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

Hong Kong, 12 November 2008

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.

** For identification only*