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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)

**CONTINUING CONNECTED TRANSACTION
RENEWAL OF THE LEASE OF OFFICE PREMISES**

On 15 June 2011, Easyknit Global, a wholly-owned subsidiary of the Company, entered into the Agreement with Wellmake in connection with the renewal of the lease of the Premises.

Wellmake is a wholly-owned subsidiary of Easyknit International, which is in turn a substantial Shareholder of the Company, being indirectly interested in approximately 31.70% of the issued share capital of the Company. Wellmake is therefore a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules, and the Agreement therefore constitutes a continuing connected transaction for the Company.

The annual cap for the rental payable for the Premises under the Agreement is HK\$2,481,600. One or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Agreement on an annual basis exceeds 2.5% but is less than 25%. The Agreement is therefore exempt from independent Shareholders' approval, but is subject to the reporting and announcement requirements under Rules 14A.45 to Rule 14A.47 of the Listing Rules.

INTRODUCTION

On 15 June 2011, Easyknit Global, a wholly-owned subsidiary of the Company (as tenant) entered into the Agreement with Wellmake (as landlord) in connection with the renewal of the lease of the Premises.

THE AGREEMENT

A summary of the principal terms of the Agreement is set out below:

Date

15 June 2011

Parties

- (1) Easyknit Global (as tenant); and
- (2) Wellmake (as landlord)

Wellmake is a wholly-owned subsidiary of Easyknit International, which is in turn a substantial Shareholder of the Company, being indirectly interested in approximately 31.70% of the issued share capital of the Company. Wellmake is therefore a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules, and the Agreement therefore constitutes a continuing connected transaction for the Company.

Premises

Pursuant to the Agreement, Wellmake has agreed to lease to Easyknit Global, the Premises situated at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, including decoration, electrical appliances, furniture, air conditioning facilities and a car parking space located on the fourth floor. The Premises are leased for commercial use only.

Lease Term

Twelve months commencing 1 May 2011 and expiring on 30 April 2012.

Rental

The rental for the Premises is HK\$206,800 per month, exclusive of management fees, rates, government rent, water and electricity charges and other incidental expenses. The rental has been determined by reference to the market value of similar properties in similar locations as the Premises.

Deposit

A deposit of HK\$413,600 is payable by Easyknit Global upon demand by Wellmake. If Easyknit Global should terminate the Agreement before expiry of its term, Wellmake shall be entitled to forfeit the deposit.

ANNUAL CAP

The annual cap under the Agreement is HK\$2,481,600, being the aggregate annual rental payable for the Premises based on a monthly rental of HK\$206,800.

REASONS FOR ENTERING INTO THE AGREEMENT

The Directors are of the view that the entering into Agreement by Easy Global with Wellmake will allow the group continuing to be cost-effective in sharing the overhead expenses, such as office rental, general and administration expenses incurred by the Easyknit International Group. Such office rental includes rental of the Premises.

The Directors (including the independent non-executive directors) consider that the Agreement is on normal commercial terms which are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Wellmake is a wholly-owned subsidiary of Easyknit International, which is in turn a substantial Shareholder of the Company, being indirectly interested in approximately 31.70% of the issued share capital of the Company. Wellmake is therefore a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules, and the Agreement therefore constitutes a continuing connected transaction for the Company. One or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Agreement on an annual basis exceeds 2.5% but is less than 25%. The Agreement is therefore exempt from independent Shareholders' approval, but is subject to the reporting and announcement requirements under Rules 14A.45 to Rule 14A.47 of the Listing Rules.

INFORMATION RELATING TO THE GROUP

The Group was principally engaged in sourcing and exporting of cotton-based knitted garments for infants, children and women and property investments.

Easyknit Global is a company incorporated in Hong Kong and is an indirectly wholly-owned subsidiary of the Company. Its principal activity is garment trading.

INFORMATION RELATING TO WELLMAKE

The Company has been informed that Wellmake is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Easyknit International, and that the principal business activities of Wellmake is property investment.

DEFINITIONS

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

“Agreement”	the renewal of the tenancy agreement dated 15 June 2011 in respect of the lease of the Premises;
“Board”	the board of Directors;
“Director(s)”	director(s) of the Company;
“Company” and “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 Global”	Easyknit Global Company Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary 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;
“Easyknit International Group”	Easyknit International and its subsidiaries
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the Peoples’ Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Premises”	the premises located at Unit A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, 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;
“Wellmake”	Wellmake Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Easyknit International

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

Hong Kong, 16 June 2011

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 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*