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## **JOINT ANNOUNCEMENT**



**Easyknit International Holdings Limited**

**永義國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code : 1218)**

### **DISCLOSEABLE TRANSACTION**

**FULL ACCEPTANCE OF  
PROVISIONAL ALLOTMENT  
UNDER THE RIGHTS ISSUE  
OF EASYKNIT ENTERPRISES  
HOLDINGS LIMITED**



**Easyknit Enterprises Holdings Limited**

**永義實業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code : 0616)**

**(1) PROPOSED CAPITAL  
REORGANISATION INVOLVING  
SHARE CONSOLIDATION,  
CAPITAL REDUCTION AND  
CAPITAL INCREASE;  
(2) CHANGE IN BOARD LOT SIZE; AND  
(3) PROPOSED RIGHTS ISSUE  
ON THE BASIS OF  
FIVE RIGHTS SHARES  
FOR EVERY ONE ADJUSTED SHARE  
HELD ON RECORD DATE**

**Financial Adviser to Easyknit Enterprises Holdings Limited**



**KINGSTON CORPORATE FINANCE LTD.**

**Underwriter of the Rights Issue**



**KINGSTON SECURITIES LTD.**

*\* for identification only*

## **1. PROPOSED CAPITAL REORGANISATION**

The EE Board proposes to put forward to the EE Shareholders a proposal to effect the Capital Reorganisation which will comprise:

- (i) Share Consolidation: that every twenty (20) issued and unissued Existing Shares of par value of HK\$0.01 each in the share capital of Easyknit Enterprises will be consolidated into one (1) Consolidated Share of par value of HK\$0.20;
- (ii) Capital Reduction: that (i) the issued share capital of Easyknit Enterprises be reduced by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK\$0.19 on each of the then issued Consolidated Shares in the share capital of Easyknit Enterprises such that the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01; (ii) the authorised share capital of Easyknit Enterprises be reduced by reducing the par value of all Consolidated Shares in the authorised share capital Easyknit Enterprises from HK\$0.20 each to HK\$0.01 each resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK\$200,000,000 divided into 1,000,000,000 Consolidated Shares of par value of HK\$0.20 each to HK\$10,000,000 divided into 1,000,000,000 shares of Easyknit Enterprises of par value of HK\$0.01 each; and (iii) the credit amount arising from the Issued Capital Reduction be transferred to the contributed surplus account of Easyknit Enterprises; and
- (iii) Capital Increase: that the authorised share capital of Easyknit Enterprises be increased from HK\$10,000,000 divided into 1,000,000,000 shares of Easyknit Enterprises of par value of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 shares of Easyknit Enterprises of par value of HK\$0.01 each.

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

## **2. CHANGE IN BOARD LOT SIZE**

The EE Board also proposes to change the board lot size for trading in the EE Shares from 2,000 Existing Shares to 4,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective.

## **3. PROPOSED RIGHTS ISSUE**

Easyknit Enterprises proposes to raise approximately HK\$114.43 million (before expenses) by way of the rights issue of 286,071,250 Rights Shares at a subscription price of HK\$0.40 per Rights Share on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date. Easyknit Enterprises plans to use the net proceeds of HK\$113.03 million from the Rights Issue for property investments and for general working capital of the EE Group.

The Rights Issue is fully underwritten by the Underwriter. The Rights Issue is conditional upon, inter alia: (i) the passing of resolutions at the SGM to approve the Capital Reorganisation and the Rights Issue and (ii) the Capital Reorganisation becoming effective. Further details of the underwriting arrangements are set out in the paragraph headed "Underwriting Agreement" for the Rights Issue. If the conditions are not fulfilled (or waived, where applicable) or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

The number of Rights Shares to be issued pursuant to the Rights Issue represents five times Easyknit Enterprises' issued share capital after the Capital Reorganisation and 83.33% of Easyknit Enterprises' adjusted and enlarged issued share capital immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue. As the Rights Issue will increase the issued share capital of Easyknit Enterprises (after the Capital Reorganisation) by more than 50%, the Rights Issue is subject to approval from Independent Shareholders at the SGM, pursuant to Rule 7.19(6)(a) of the Listing Rules.

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 Easyknit Enterprises on the Record Date. In order for their owners to be registered as members on the Record Date, any transfers of the EE Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Wednesday, 5 December 2012.

Easyknit International, through Landmark Profits and Goodco, are interested in 597,676,006 Existing Shares (or 149,419,000 Adjusted Shares upon the Capital Reorganisation coming into effect) representing approximately 52.23% of the issued share capital of Easyknit Enterprises. Landmark Profits and Goodco have signed the Undertakings in favour of Easyknit Enterprises and the Underwriter pursuant to which they have conditionally undertaken, inter alia, that the EE Shares held by it on the date of the Undertakings will remain registered in their names at the close of business on the Record Date and that the Rights Shares to be provisionally allotted to it in respect of those Adjusted Shares (representing 149,419,000 Rights Shares) will be taken up and paid for in full by it.

In accordance with the Listing Rules, Landmark Profits, Goodco and their respective associates will abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. The Underwriter, who is interested in the Underwriting Agreement will also abstain from voting on the resolution(s) to approve the Rights Issue at the SGM.

An independent board committee of Easyknit Enterprises comprising the independent non-executive EE Directors will be established to make recommendations to the Independent Shareholders in respect of the Rights Issue. The members of the Independent Board Committee have no material interest in the Rights Issue. An independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders as to whether the terms and conditions of the Rights Issue are fair and reasonable and in the interest of Easyknit Enterprises and the EE Shareholders as a whole.

A circular containing, inter alia: (i) further information on the Capital Reorganisation; (ii) further information on the Rights Issue; (iii) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (v) a notice of the SGM, will be despatched to the EE Shareholders on or before Monday, 5 November 2012.

## 1. PROPOSED CAPITAL REORGANISATION

### Background

As at the date of this joint announcement, the authorised share capital of Easyknit Enterprises is HK\$200,000,000 comprising 20,000,000,000 Existing Shares of par value of HK\$0.01 each, of which 1,144,285,012 Existing Shares have been issued and fully paid. The issued share capital of Easyknit Enterprises is HK\$11,442,850.12. Easyknit Enterprises proposes to put forward the Capital Reorganisation, subject to approval by the EE Shareholders:

- (i) Share Consolidation: that every twenty (20) issued and unissued Existing Shares of par value of HK\$0.01 each in the share capital of EE will be consolidated into one (1) Consolidated Share of par value of HK\$0.20;
- (ii) Capital Reduction: that (i) the issued share capital of Easyknit Enterprises be reduced by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK\$0.19 on each of the then issued Consolidated Shares in the share capital of Easyknit Enterprises such that the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 (“Issued Capital Reduction”); (ii) the authorised share capital of Easyknit Enterprises be reduced by reducing the par value of all Consolidated Shares in the authorised share capital of Easyknit Enterprises from HK\$0.20 each to HK\$0.01 each resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK\$200,000,000 divided into 1,000,000,000 Consolidated Shares of par value of HK\$0.20 each to HK\$10,000,000 divided into 1,000,000,000 shares of Easyknit Enterprises of par value of HK\$0.01 each; and (iii) the credit amount arising from the Issued Capital Reduction be transferred to the contributed surplus account of Easyknit Enterprises; and
- (iii) Capital Increase: that the authorised share capital of Easyknit Enterprises be increased from HK\$10,000,000 divided into 1,000,000,000 shares of Easyknit Enterprises of par value of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 shares of Easyknit Enterprises of par value of HK\$0.01 each.

### Effects of the Capital Reorganisation

As at the date of this announcement, Easyknit Enterprises has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the EE Shares. Based on Easyknit Enterprises’s existing authorised share capital of HK\$200,000,000, represented by 20,000,000,000 Existing Shares and the existing issued share capital of HK\$11,442,850.12, represented by 1,144,285,012 Existing Shares, upon completion of the Capital Reorganisation, the authorised share capital of Easyknit Enterprises will remain at HK\$200,000,000, represented by 20,000,000,000 Adjusted Shares, and the issued share capital will be HK\$572,142.50 represented by 57,214,250 Adjusted Shares.

Any fraction of Adjusted Shares arising from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of Easyknit Enterprises. The Adjusted Shares will rank pari passu in all respects with each other.

The effect of the Capital Reorganisation is summarised below:

	<b>Prior to the Capital Reorganisation</b>	<b>Immediately following the Capital Reorganisation becoming effective <i>(Note)</i></b>
Par value of each Existing Share / Adjusted Share in issue	HK\$0.01	HK\$0.01
Number of authorised Existing Shares / Adjusted Shares	20,000,000,000	20,000,000,000
Authorised share capital	HK\$200,000,000	HK\$200,000,000
Number of Existing Shares/Adjusted Shares in issue	1,144,285,012	57,214,250
Issued and fully paid-up share capital	HK\$11,442,850.12	HK\$572,142.50

*Note: The issued share capital immediately after the Capital Reorganisation becoming effective is presented on the assumption that no further EE Shares would be issued or repurchased between the date of this announcement and the date of the SGM. Any fraction arising from the Capital Reorganisation is not shown in the table.*

Based on 1,144,285,012 Existing Shares in issue as at the date of this announcement, a credit of approximately HK\$10.87 million will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of Easyknit Enterprises. The EE Board intends to apply the credit amount arising from the Capital Reduction to set-off the accumulated losses of Easyknit Enterprises.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of Easyknit Enterprises or the proportionate interests of the EE Shareholders, except for the payment of the related expenses. The EE Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the EE Group and the EE Board believes that on the date the Capital Reorganisation is to be effected, there will be no reasonable grounds for believing that Easyknit Enterprises is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of Easyknit Enterprises, the net asset value of Easyknit Enterprises will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of Easyknit Enterprises or the repayment to the EE Shareholders of any paid-up capital of Easyknit Enterprises nor will it result in any change in the relative rights of the EE Shareholders.

The Capital Reorganisation is conditional upon, inter alia, the approval of the EE Shareholders at the SGM. Details of the arrangements with regard to parallel trading arrangements, odd lot matching services and the free exchange of share certificates will be

included in the circular to be despatched to the EE Shareholders.

### **Reasons for the Capital Reorganisation**

The Share Consolidation (together with the increase in board lot size detailed in the section headed “Change in board lot size”) is expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Share and an increase in trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the Adjusted Shares. The Capital Reorganisation will provide greater flexibility for equity fund raising of Easyknit Enterprises in the future. The credit arising from the Capital Reduction will enable Easyknit Enterprises to set-off its accumulated loss, thus allowing greater flexibility for Easyknit Enterprises for future distributions to the EE Shareholders or in any manner permitted by the laws of Bermuda and the Bye-laws as and when the EE Board considers appropriate.

In view of the above, the EE Board believes that the Capital Reorganisation is beneficial to Easyknit Enterprises and EE Shareholders as a whole.

The issued Adjusted Shares will rank *pari passu* in all respects with each other, and the Capital Reorganisation will not result in any change in the relative rights of EE Shareholders. Any fractional entitlements to the Adjusted Shares will be aggregated and sold (less expenses) for the benefit of Easyknit Enterprises.

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon, *inter alia*, the following:

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

### **Expected effective date of the Capital Reorganisation**

Subject to the above conditions being fulfilled, the Capital Reorganisation is expected to become effective on Monday, 3 December 2012.

### **Listing and Dealings**

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for

deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Free exchange of Share certificates**

Subject to the Capital Reorganisation becoming effective, EE Shareholders may submit existing certificates for Existing Shares to the Registrar from Monday, 3 December 2012 to Friday, 11 January 2013 (both dates inclusive) to exchange, at the expense of Easyknit Enterprises, for new certificates for the Adjusted Shares. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled/issued is higher. The certificates for the Existing Shares will be valid in the form of existing certificates for trading and settlement up to 4:00 p.m. on Wednesday, 9 January 2013, being the latest time for trading in board lots of 250 Adjusted Shares (or such other date which will be announced by Easyknit Enterprises) but will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

## **2. CHANGE IN BOARD LOT SIZE**

The EE Board also proposes to change the board lot size for trading in the Shares from 2,000 Existing Shares to 4,000 Adjusted Shares subject to and after the Capital Reorganisation becoming effective.

In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares arising from the Capital Reorganisation, Easyknit Enterprises will appoint an agent to stand in the market to provide matching services for the odd lots of Adjusted Shares on a best effort basis. Further details in respect of the odd lots arrangement will be set out in the circular to be despatched by Easyknit Enterprises to the EE Shareholders.

## **3. PROPOSED RIGHTS ISSUE**

### **Issue statistics**

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.40 per Rights Share
Number of Existing Shares in issue at the date of this announcement	:	1,144,285,012 Existing Shares
Number of Adjusted Shares after the Capital Reorganisation becoming effective	:	57,214,250 Adjusted Shares
Number of Rights Shares	:	286,071,250 Rights Shares

Aggregate nominal value of Rights Shares	:	HK\$2,860,712.50
Fund raised before expenses	:	HK\$114,428,500
Underwriter	:	Kingston Securities Limited

The number of Rights Shares to be issued pursuant to the Rights Issue represents five times the issued share capital of Easyknit Enterprises after the Capital Reorganisation and 83.33% of enlarged issued share capital of Easyknit Enterprises immediately following the Capital Reorganisation coming into effect and the completion of the Rights Issue.

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

### **Subscription Price**

The Subscription Price is HK\$0.40 per Rights Share, payable in full upon acceptance under the PAL(s) and on application under the EAF(s).

The Subscription Price represents:

- (i) a discount of approximately 75.61% to the adjusted closing price of HK\$1.64 per Adjusted Share, based on the closing price of HK\$0.082 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 75.31% to the adjusted average closing price of approximately HK\$1.620 per Adjusted Share, based on the average closing price of approximately HK\$0.0810 per Existing Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and
- (iii) a discount of approximately 34.07% to the theoretical ex-rights price of approximately HK\$0.6067 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.082 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation and the Rights Issue.

The Subscription Price was arrived at after arm's length negotiation between Easyknit Enterprises and the Underwriter with reference to the scale of the Rights Issue, the market price of the EE Shares and the prevailing market conditions. The EE Directors (excluding the independent non-executive EE Directors whose opinion will be set forth in the circular, after having been advised by an independent financial adviser) consider that the discount would encourage EE Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in Easyknit Enterprises and participate in the future growth of the EE Group. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Rights Issue, the EE Directors (excluding the independent non-executive EE Directors whose opinion will be set forth in the circular, after having been advised by an independent financial adviser) consider that the terms of the Rights Issue are fair and reasonable and in the best interests of the EE Group and the EE Shareholders as a whole.

## **Basis of provisional allotment**

The Rights Shares will be allotted on the basis of five (5) Rights Shares for every one (1) Adjusted Share held 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 allotted, fully-paid or credited as fully-paid and issued, shall rank *pari passu* in all respects with the EE Shares then in issue, including as to the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

## **Fractional entitlements to the Rights Shares**

On the basis of provisional allotment of five (5) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

## **Qualifying Shareholders**

To qualify for the Rights Issue, investors must be registered as members of Easyknit Enterprises and not be a Non-Qualifying Shareholder at the close of business on the Record Date. However, Overseas Shareholders whose names appear on the register of members of Easyknit Enterprises at the close of business on the Record Date whom the EE Board, based on legal opinions to be provided by legal advisers, considers necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholders.

Easyknit Enterprises is in the process of considering the rights of the Overseas Shareholders and the arrangements in respect of the Rights Issue for them, including whether it is feasible to extend the Rights Issue to such EE Shareholders.

Further information in this connection will be set out in the Prospectus to be despatched to the EE Shareholders.

Easyknit Enterprises retains the right, in its discretion, to make any arrangement to avoid any offer of Rights Shares to EE Shareholders (without compliance with registration or other legal requirements) outside Hong Kong.

In order to be registered as members of Easyknit Enterprises at the close of business on the Record Date, beneficial owners must lodge any transfers of EE Shares (together with the relevant share certificates) with branch share registrar of Easyknit Enterprises 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 Wednesday, 5 December 2012.

Easyknit Enterprises will send the Prospectus Documents to the Qualifying Shareholders only.

## **Non-Qualifying Shareholders**

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

Arrangements will be made 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 dealings 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 pro rata to the Non-Qualifying Shareholders. Easyknit Enterprises 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 Easyknit Enterprises will be closed from Thursday, 6 December 2012 to Friday, 7 December 2012 (both dates inclusive). No transfers of EE 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 EE Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots. Details of the basis of allocation of excess Rights Shares will be disclosed in the circular and Prospectus in relation to the Rights Issue.

Investors with their EE Shares held by a nominee should note that the nominee is a single EE Shareholder for the purposes of the Rights Issue. Accordingly, investors whose EE Shares are registered in the names of nominees 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 EE Shares held by a nominee should consider whether they would like to arrange for the registration of the relevant EE Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose EE Shares are held by nominee(s) and would like to have their names registered on the register of members of Easyknit Enterprises, must lodge all necessary document with the branch share registrar of Easyknit Enterprises in Hong Kong for completion of the relevant registration by 4:00 p.m. on Wednesday, 5 December 2012.

The latest time for acceptance of Rights Shares will be 4:00 p.m. on Thursday, 27 December 2012, or such later date or time as may be agreed between Easyknit Enterprises and the Underwriter.

## **Application for listing**

Easyknit Enterprises 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 will be in board lots of 4,000. Dealings in the Rights Shares registered in the branch register of members of Easyknit Enterprises in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

## **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 Tuesday, 8 January 2013 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 Tuesday, 8 January 2013 by ordinary post to the applicants at their own risk.

## **Conditions of the Rights Issue**

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

- (i) the passing of resolutions at the SGM to approve the Rights Issue and the Capital Reorganisation;
- (ii) the Capital Reorganisation having become effective;
- (iii) the registration by and filing with the Registrar of Companies in Hong Kong and Bermuda of the Prospectus Documents;
- (iv) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;
- (v) compliance with and performance by Easyknit Enterprises of certain undertakings and obligations under the terms of the Underwriting Agreement;
- (vi) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such listings and permission to deal not having been withdrawn or revoked by no later than the first day of their dealings;

- (vii) the EE Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days;
- (viii) delivery by Easyknit Enterprises to the Underwriter of the Undertakings by Landmark Profits and Goodco to accept their respective entitlement under the Rights Issue and fulfillment of their respective obligations under the undertakings; and
- (ix) if required, the Bermuda Monetary Authority granting its consent to the issue of Rights Shares;

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

In the event that the conditions (i), (ii) (iii) and (iv) above are not fulfilled and/or waived (other than conditions (i) & (ii) which cannot be waived in whole or in part by the Underwriter) on or before the despatch of the Prospectus Documents or in the event that the conditions (v), (vi) and (vii) above have not been satisfied/or waived (other than conditions (v) and (vi) above which cannot be waived in whole or part by the Underwriter) on or before 4:00 p.m. on the Settlement Date or such other time as specified therein (whichever is earlier), (or, in each case, such later date as the Underwriter and Easyknit Enterprises may agree) all liabilities of the parties to the Underwriting Agreement shall cease and neither party shall have any claim against the other (except that certain expenses of the Underwriter shall remain payable by Easyknit Enterprises) and the irrevocable undertakings by Landmark Profits and Goodco to accept their entitlements under the Rights Issue will lapse and the Rights Issue will not proceed.

### **3. UNDERWRITING AGREEMENT FOR THE RIGHTS ISSUE**

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite 136,652,250 Underwritten Shares (being all the 286,071,250 Rights Shares under the Rights Issue less the 149,419,000 Rights Shares which will be provisionally allotted to Landmark Profits and Goodco, and which Landmark Profits and Goodco have undertaken to accept).

To the best of the knowledge, information and belief of the EE Directors, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholder are third parties independent of Easyknit Enterprises and connected persons of Easyknit Enterprises. As at the date of this announcement, the Underwriter is interested in 350 Existing Shares.

Under the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers for the Underwritten Shares:

- (i) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in Easyknit Enterprises to exceed 19.9% of the voting rights of Easyknit Enterprises upon the completion of the Rights Issue; and
- (ii) the Underwriter shall use its best endeavours to ensure that (1) each of the subscribers of the Underwritten Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with Easyknit Enterprises, any of the EE Directors or chief executive or substantial shareholders of Easyknit Enterprises or their respective associates; and (2) the public

float requirements under Rule 8.08 of the Listing Rules be fulfilled by Easyknit Enterprises upon completion of the Rights Issue.

#### *Commission*

Easyknit Enterprises will pay the Underwriter an underwriting commission of 1.0% of the aggregate subscription price of the Rights Shares underwritten by it. EE Directors (excluding the independent non-executive EE Directors whose opinion will be set forth in the circular, after having been advised by an independent financial adviser) consider that the underwriting commission accords with market rates.

#### *Undertaking from Landmark Profits and Goodco*

As at the date of this announcement, Easyknit International, through Landmark Profits and Goodco, are interested in 597,676,006 Existing Shares, representing approximately 52.23% of the total issued share capital of Easyknit Enterprises. Upon the Capital Reorganisation coming into effective, Landmark Profits and Goodco will beneficially own 29,883,800 Adjusted Shares. Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have signed the Undertakings in favour of Easyknit Enterprises and the Underwriter pursuant to which it has conditionally undertaken, inter alia, that the EE Shares held by it on the date of the Undertakings will remain registered in its name at the close of business on the Record Date and that the Rights Shares to be provisionally allotted to it in respect of those Adjusted Shares (representing 149,419,000 Rights Shares) will be taken up and paid for in full by it. The obligations of Landmark Profits and Goodco under the Undertakings are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms. If the conditions are not fulfilled, all liabilities of Landmark Profits and Goodco thereunder shall cease and the undertaking shall lapse, and no party shall have any claims against the other for matters referred to in the Undertakings. Landmark Profits and Goodco 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 Easyknit Enterprises at any time prior to 4:00 p.m. on the Settlement Date if 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 absolute opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of EE Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) Easyknit Enterprises 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
- (ii) the Underwriter receives notification pursuant to 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 absolute 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 EE Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) Easyknit Enterprises shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or comes to the Underwriter's attention fail promptly to send out 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 Easyknit Enterprises, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to Easyknit Enterprises to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

**Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor Easyknit Enterprises 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 Easyknit Enterprises shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by Easyknit Enterprises pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.**

#### **4. CHANGES IN THE SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES ARISING FROM THE RIGHTS ISSUE**

The changes in the shareholding structure of Easyknit Enterprises arising from the Rights Issue are as follows:

Shareholders	As at the date of this announcement		Immediately after the Capital Reorganisation but before Completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming only Landmark Profits and Goodco take up their entitled Rights Shares)(Note)	
	Number of Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%
Landmark Profits	261,889,480	22.89	13,094,474	22.89	78,566,844	22.89	78,566,844	22.89
Goodco	335,786,526	29.34	16,789,326	29.34	100,735,956	29.34	100,735,956	29.34
Public	546,608,656	47.77	27,330,433	47.77	163,982,598	47.77	27,330,433	7.96
Underwriter	350	0.00	17	0.00	102	0.00	136,652,267	39.81
Total	<u>1,144,285,012</u>	<u>100.00</u>	<u>57,214,250</u>	<u>100.00</u>	<u>343,285,500</u>	<u>100.00</u>	<u>343,285,500</u>	<u>100.00</u>

Note:

**This scenario is for illustrative purpose only.**

Under the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers for the Underwritten Shares:

- (iii) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in Easyknit Enterprises to exceed 19.9% of the voting rights of Easyknit Enterprises upon the completion of the Rights Issue; and
- (iv) the Underwriter shall use its best endeavours to ensure that (1) each of the subscribers of the Underwritten Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with Easyknit Enterprises, any of the EE Directors or chief executive or substantial shareholders of Easyknit Enterprises or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by Easyknit Enterprises upon completion of the Rights Issue.

## 5. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

EE Group is principally engaged in (i) property investment, comprising the rental of investment properties; (ii) garment sourcing and export businesses; and (iii) investment in listed securities.

As stated in the 2011/12 annual report, Easyknit Enterprises has purchased a property located at the ground floor of No. 6 Cannon Street, Causeway Bay, Hong Kong at a consideration of HK\$180,000,000 in May 2012. In addition, Easyknit Enterprises has purchased five properties situated at No. 15 Matheson Street, Causeway Bay, Hong Kong at a total consideration of HK\$81,000,000 in June 2012. The EE Group continues to seek opportunities to invest in properties with good potential so as to further expand its property investment portfolio.

The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK\$114.43 million and HK\$113.03 million respectively. Easyknit Enterprises intends to apply such net proceeds from the Rights Issue as to (i) approximately HK\$100 million for

property investments and (ii) approximately HK\$13 million for general working capital of the EE Group. The net price per Rights Share shall be approximately HK\$0.395.

The Board considers that the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in Easyknit Enterprises. Hence, the EE Board considers that fund raising through the Rights Issue is in the best interests of Easyknit Enterprises and the EE Shareholders as a whole.

## **6. FUND RAISING ACTIVITIES DURING PAST 12 MONTHS OF EASYKNIT ENTERPRISES**

Save as disclosed below, Easyknit Enterprises has not conducted any other equity fund raising exercise in the past 12 months immediately prior to the date of this announcement.

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Proposed use of proceeds</b>	<b>Actual use of proceeds</b>
30 May 2012	Placing of new Shares under general mandate	HK\$13.6 million	General working capital of the Group	(i) Payment of expenses of HK\$3.7 million; (ii) settlement of trade and bills payable of HK\$6.3 million; and (iii) investments in listed securities of HK\$3.6 million
18 July 2012	Placing of new Shares under general mandate	HK\$12.0 million	(i) Fitting and renovation of properties; and (ii) General working capital of the Group	Fitting and renovation cost for HK\$0.3 million
15 August 2012	Rights issue	HK\$28.4 million	(i) Property investment; and (ii) General working capital of the Group	To be applied as intended

## 6. EXPECTED TIMETABLE

<b>Event</b>	<b>2012 (Hong Kong time)</b>
Expected despatch of circular with notice of SGM	Monday, 5 November
Latest time for lodging proxy form	9:30 a.m. on Wednesday, 28 November
Expected date and time of the SGM	9:30 a.m. on Friday, 30 November
Announcement on results of SGM	Friday, 30 November
Effective date for the Capital Reorganisation	Monday, 3 December
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Monday, 3 December
Original counter for trading in existing share certificates in board lots of 2,000 Existing Shares temporarily closes	9:00 a.m. on Monday, 3 December
Temporary counter for trading in Adjusted Shares in board lots of 100 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 3 December
First day for free exchange of existing certificates for the Existing Shares into new share certificates for Adjusted Shares	9:00 a.m. on Monday, 3 December
Last day of dealings in EE Shares on a cum-rights basis	Monday, 3 December
First day of dealings in EE Shares on an ex-rights basis	Tuesday, 4 December
Latest time for EE Shareholders to lodge transfer of EE Shares in order to qualify for the Rights Issue	4:00 p.m. on Wednesday, 5 December
Closure of register of members of Easyknit Enterprises (both dates inclusive)	Thursday, 6 December to Friday, 7 December
Record date and time	4:00 p.m. on Friday, 7 December
Register of members re-opens	Monday, 10 December
Despatch of Prospectus Documents	Monday, 10 December
First day of dealings in nil-paid Rights Shares	Wednesday, 12 December

Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Friday, 14 December
Designated broker starts to stand in the market to provide matching services for odd lots of Adjusted Shares	9:00 a.m. on Monday, 17 December
Original counter for trading in Adjusted Shares in new board lots of 4,000 Adjusted Shares (in the form of new share certificates) re-opens	9:00 a.m. on Monday, 17 December
Parallel trading in Adjusted Shares (in the form of both existing certificates in board lots of 100 Adjusted Shares and new share certificates in board lots of 4,000 Adjusted Shares) commences	9:00 a.m. on Monday, 17 December
Last day of dealing in nil-paid Rights Shares	Wednesday, 19 December
Latest time for acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares	4:00 p.m. on Thursday, 27 December
	<b>2013</b> <b>(Hong Kong time)</b>
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 4 January
Announcement of results of the Rights Issue	Monday, 7 January
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before	Tuesday, 8 January
Certificates for fully paid Rights Shares to be despatched on or before	Tuesday, 8 January
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 9 January
Temporary counter for trading in Adjusted Shares in board lots of 100 Adjusted Shares (in the form of existing certificates) closes	4:00 p.m. on Wednesday, 9 January

Parallel trading in the Adjusted Shares (represented by both existing share certificates in board lots of 100 Adjusted Shares and new share certificates in board lots of 4,000 Adjusted Shares) ends

4:00 p.m. on  
Wednesday, 9 January

Designated broker ceases to stand in the market to provide matching service

4:00 p.m. on  
Wednesday, 9 January

Last day for free exchange of existing share certificates for new share certificates

Friday, 11 January

Dates or deadlines specified in this announcement are indicative only and may be varied by agreement between Easyknit Enterprises and the Underwriter. Any consequential changes to the expected timetable will be published or notified to EE Shareholders as and when appropriate.

## **7. WARNING OF THE RISKS OF DEALINGS IN THE EXISTING SHARES AND RIGHTS SHARES**

**The Existing Shares will be dealt in on an ex-rights basis from Tuesday, 4 December 2012. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 12 December 2012 to Wednesday, 19 December 2012 (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 EE Shareholders or other persons contemplating selling or purchasing Existing Shares, Adjusted Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any EE Shareholders or other persons dealing in Existing Shares or Adjusted 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, 12 December 2012 to Wednesday, 19 December 2012 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.**

## **8. DISCLOSEABLE TRANSACTION FOR EASYKNIT INTERNATIONAL**

As at the date of this announcement, Easyknit International, through Landmark Profits and Goodco, are interested in 597,676,006 Existing Shares, representing approximately 52.23% of the total issued share capital of Easyknit Enterprises. Upon the Capital Reorganisation coming into effective, Landmark Profits and Goodco will beneficially own 29,883,800 Adjusted Shares. Pursuant to the Underwriting Agreement, Landmark Profits and Goodco have signed the Undertakings in favour of Easyknit Enterprises and the Underwriter pursuant to which it has conditionally undertaken, inter alia, that the EE Shares held by it on the date of the Undertakings will remain registered in its name at the close of business on the Record Date and that the Rights Shares to be provisionally allotted to it in respect of those Adjusted Shares (representing 149,419,000 Rights Shares) will be taken up and paid for in full by it. The obligations of Landmark Profits and Goodco under the Undertakings are conditional upon the Underwriting Agreement becoming unconditional in accordance with its terms. If

the conditions are not fulfilled all liabilities of Landmark Profits and Goodco thereunder shall cease and determine and the undertaking shall lapse, and no party shall have any claims against the other for matters referred to in the Undertakings. Landmark Profits and Goodco will not apply for any excess Rights Share

The consideration to be paid by Landmark Profits and Goodco, for a total of 149,419,000 Rights Shares which Landmark Profits and Goodco have undertaken to take up under the Undertakings amounts to HK\$59,767,600. The consideration will be fully satisfied in cash by internal resources. As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules, with the aggregation of Easyknit International's full acceptance of the rights issue as announced by Easyknit Enterprises on 15 August 2012, exceeds 5% but is less than 25%, the full acceptance of the provisional allotment of the Rights Shares by Landmark Profits and Goodco under the Undertakings, therefore constitutes a discloseable transaction for Easyknit International under the Listing Rules.

Completion of the subscription for 149,419,000 Rights Shares pursuant to Undertakings is conditional upon, among other things, the passing of the necessary resolutions by EE Shareholders (or, where applicable, the Independent Shareholders) at the SGM to approve (i) the Capital Reorganisation; (ii) the Rights Issue and transactions contemplated thereunder.

To the best of knowledge, information and belief of the EE Directors, having made all reasonable enquiries, the Underwriter and its ultimate controlling shareholder are third parties independent of Easyknit Enterprises and connected persons of Easyknit Enterprises. As at the date of this announcement, the Underwriter is interested in 350 Existing Shares.

Based on the annual report of Easyknit Enterprises for the year ended 31 March 2012, the audited net asset value of the EE Group was approximately HK\$594,764,000. The net asset value per share based on 1,144,285,012 shares in issue of Easyknit Enterprises at the date of this announcement was HK\$0.520. The closing price of Easyknit Enterprises was HK\$0.082 per share quoted on the Stock Exchange as at the date of this announcement.

According to the annual report of Easyknit Enterprises for the year ended 31 March 2012, net profit and loss before and after taxation of its group for the years ended 31 March 2011 and 2012 respectively are summarised below:

	For the year ended 31 March	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Profit (loss) before taxation	(41,955,000)	49,816,000
Profit (loss) after taxation	(44,015,000)	44,877,000

### **Reason for full acceptance of the Rights Issue**

Easyknit International is principally engaged in the businesses of property investment and development, investment in securities and loan financing.

The EI Directors consider that the full acceptance by Easyknit International of its provisional allotment under the Easyknit Enterprises Rights Issue will allow Easyknit International, through Landmark Profits and Goodco, to maintain its pro rata shareholding in Easyknit Enterprises. On this basis, the EI Directors consider that the participation in the Easyknit Enterprises Rights Issue is fair and reasonable and in the interest of the EI Shareholders as a whole.

## 9. GENERAL

In accordance with the bye-laws of Easyknit Enterprises, the Capital Reorganisation will be subject to the approval by the EE Shareholders at the SGM. EE Shareholders and potential investors should exercise caution in dealing in the Shares. As the Rights Issue will increase the issued share capital of Easyknit Enterprises 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.

In accordance with the Listing Rules, Landmark Profits, Goodco and their respective associates will abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. The Underwriter, who is interested in the Underwriting Agreement will also abstain from voting on the resolution(s) to approve the Rights Issue at the SGM. An independent board committee of Easyknit Enterprises comprising the independent non-executive EE Directors will be established to make recommendations to the Independent Shareholders in respect of the Rights Issue. The members of the Independent Board Committee have no material interest in the Rights Issue. An independent financial adviser will be appointed to advise the EE Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Rights Issue are fair and reasonable and in the interest of Easyknit Enterprises and the EE Shareholders as a whole.

A circular containing, inter alia (i) further information on the Capital Reorganisation; (ii) further information on the Rights Issue; (iii) a letter of recommendation from the EE Independent Board Committee in respect of the Rights Issue; (iv) a letter of advice from the independent financial adviser to the independent board committee of Easyknit Enterprises and the Independent Shareholders on the Rights Issue; and (v) a notice of the SGM, will be despatched to the Easyknit Enterprises Shareholders on Monday, 5 November 2012.

Subject to the Capital Reorganisation being approved by the EE Shareholders and the approval of the Rights Issue by the Independent Shareholders at the SGM and the Capital Reorganisation becoming effective, the Prospectus Documents containing further information on the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date, and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only on the Posting Date. EE Shareholders and potential investors should exercise caution when dealing in the EE Shares.

## DEFINITIONS

In this announcement, unless the context otherwise required, the following words and phrases have the following meanings:

“Acceptance Time”	4:00 p.m. on Thursday,, 27 December 2012 (or such other time or date as the Underwriter may agree in writing with Easyknit Enterprises as the latest date for acceptance of, and payment of, Rights Shares)
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Easyknit Enterprises upon the Capital Reorganisation becoming effective
“associates”	has the meaning ascribed thereto under the Listing Rules
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“Bye-laws”	the bye-laws of Easyknit Enterprises from time to time
“Capital Increase”	the proposed increase of authorized share capital from HK\$10,000,000 divided into 1,000,000,000 Adjusted Shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Adjusted Shares of HK\$0.01 each.
“Capital Reduction”	the proposed (i) reduction of the issued share capital of Easyknit Enterprises by the cancellation of the paid-up capital of Easyknit Enterprises to the extent of HK\$0.19 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01; and (ii) reduction of the authorised share capital of Easyknit Enterprises by reducing the nominal value of all Consolidated Shares from HK\$0.20 each to HK\$0.01 each resulting in the reduction of the authorised share capital of Easyknit Enterprises from HK\$200,000,000 divided into 20,000,000,000 to HK\$10,000,000 to 1,000,000,000 new shares of EasyKnit Enterprises of HK\$0.01 each of Easyknit Enterprises;
“Capital Reorganisation”	the proposed capital reorganisation of Easyknit Enterprises involving the Share Consolidation, the Capital Reduction and the Capital Increase
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	The Companies Act 1981 of Bermuda

“Consolidated Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of Easyknit Enterprises immediately after the Share Consolidation becoming effective but before the Capital Reduction and the Capital Increase
“connected persons”	has the meanings ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Easyknit Enterprises”	Easyknit Enterprises Holdings Limited, an exempt company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“EE Directors”	the directors of Easyknit Enterprises
“EE Board”	the board of directors of Easyknit Enterprises
“EE Group”	Easyknit Enterprises and its subsidiaries
“EE Shareholder(s)”	holder(s) of EE Share(s)
“EE Share(s)”	Existing Share(s), Consolidated Share(s) or Adjusted Share(s), as the case may be
“Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“EI Directors”	the directors of Easyknit International
“EI Shareholder(s)”	holder(s) of share(s) of Easyknit International
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Easyknit Enterprises before the implementation of the Capital Reorganisation
“Goodco”	Goodco Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, being a substantial Shareholder (as defined in the Listing Rules) of Easyknit Enterprises
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the EE Board comprising all of the three independent non-executive EE Directors formed for the purpose of advising the Independent Shareholder(s) on the Rights Issue
“Independent Shareholders”	the EE Shareholders, other than the EE Directors (excluding the independent non-executive EE Directors), the chief executive of Easyknit Enterprises and their respective associates, who are not involved in, nor interested in, the Underwriting Agreement and the Undertakings
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Easyknit International, being a substantial Shareholder (as defined in the Listing Rules) of Easyknit Enterprises
“Last Trading Day”	Thursday, 11 October 2012, being the date of entering into the Underwriting Agreement
“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 EE 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 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 Easyknit Enterprises 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
“Posting Date”	Monday, 10 December 2012, or such other day as may be agreed between Easyknit Enterprises and the Underwriter, being the date of despatch of the Prospectus Documents
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“Prospectus”	the prospectus to be issued by Easyknit Enterprises in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF

“Qualifying Shareholder(s)”	EE Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of Easyknit Enterprises at the close of business on the Record Date
“Record Date”	Friday, 7 December 2012 or such other date as the Underwriter may agree in writing with Easyknit Enterprises as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Registrar”	Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarized herein
“Rights Share(s)”	286,071,250 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of five (5) Rights Shares for every one (1) Adjusted Share held at the Record Date pursuant to Rights Issue
“Settlement Date”	Friday, 4 January 2013, being the fourth Business Day following the Acceptance Date or such later date as Easyknit Enterprises and the Underwriter may agree
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of Easyknit Enterprises to be convened and held to consider and approve, among other things, the proposed Capital Reorganisation and the Rights Issue
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued EE Shares into one (1) Consolidated Share in the issued share capital of Easyknit Enterprises
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.40 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“Undertakings”	the conditional irrevocable undertakings dated 11 October 2012 from Landmark Profits and Goodco to Easyknit Enterprises and the Underwriter as described in the section headed “Undertakings from Landmark and Goodco“ in this announcement

“Underwriter”	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement dated 11 October 2012 entered into between Easyknit Enterprises and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Underwritten Shares”	136,652,250 Rights Shares, being all the Rights Shares other than the Rights Shares to be provisionally allotted to and accepted by Landmark Profits and Goodco pursuant to the Undertakings under the Underwriting Agreement
“%”	percentage

By Order of the Board  
**EASYKNIT INTERNATIONAL  
HOLDINGS LIMITED**  
**Kwong Jimmy Cheung Tim**  
*President and Chief Executive Officer*

By Order of the Board  
**EASYKNIT ENTERPRISES  
HOLDINGS LIMITED**  
**Kwong Jimmy Cheung Tim**  
*Chairman and Chief Executive Officer*

Hong Kong, 11 October 2012

*As at the date hereof, the board of EI Directors 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. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.*

*As at the date hereof, the board of EE Directors 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.*