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Easyknit International Holdings Limited

永義國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 1218)



Easyknit Enterprises Holdings Limited

永義實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 0616)

DISCLOSEABLE TRANSACTION

**PLACING OF NEW SHARES
UNDER GENERAL MANDATE**

**DEEMED DISPOSAL OF INTERESTS
IN EASYKNIT ENTERPRISES**

Placing Agent



KINGSTON SECURITIES LTD.

THE PLACING

On 28 January 2013, after trading hours, Easyknit Enterprises and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, to not less than six independent Placees of up to 68,656,000 new EE Shares at a price of HK\$0.44 per Placing Share.

The maximum number of 68,656,000 Placing Shares under the Placing represents approximately 20.0% of the entire issued share capital of Easyknit Enterprises as at the date of this announcement and approximately 16.67% of the enlarged issued share capital of Easyknit Enterprises after the Placing.

The Placing is conditional upon the Listing Committee of the Stock Exchange (the "Listing Committee") granting the listing of and permission to deal in the Placing Shares. If such condition is not fulfilled, the Placing will not proceed.

LISTING IMPLICATION TO EASYKNIT INTERNATIONAL

As at the date of this announcement, Easyknit International has shareholding of approximately 52.23% in Easyknit Enterprises. Easyknit Enterprises is a subsidiary of Easyknit International.

** for identification only*

For Easyknit International, the Placing is a deemed disposal of interests in Easyknit Enterprises as its shareholding will decline from approximately 52.23% currently to approximately 43.52% after the Placing. The EE Board wishes to inform that notwithstanding the decrease in the aforesaid shareholding, Easyknit International will continue to maintain control over Easyknit Enterprises and Easyknit Enterprises will continue to be treated as a subsidiary of Easyknit International after the Placing. As certain of the applicable percentage ratios (as defined under the Listing Rules) of the transaction under the Placing exceed 5% but are less than 25%, the Placing constitutes a discloseable transaction for Easyknit International under Rule 14.06(2) of the Listing Rules. The Placing Agreement and the transaction contemplated thereunder, including the Placing, are therefore subject to the requirements of reporting and announcement under the Listing Rules.

As the Placing Agreement may or may not complete, EE Shareholders, EI Shareholders and potential investors are advised to exercise caution when dealing in the EE Shares and EI Shares.

THE PLACING AGREEMENT

Date

28 January 2013, after trading hours

Parties

- (a) Easyknit Enterprises; and
- (b) the Placing Agent

To the best of the EE Directors' knowledge, information and belief and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Shares will be placed to not fewer than six Placees which are independent professional, institutional or other investors, and who and whose ultimate beneficial owners are third parties independent of and not connected or acting in concert with any directors, chief executive or substantial shareholders of Easyknit Enterprises or its subsidiaries or any of their respective associates. None of the Placees will become a substantial shareholder (as defined in the Listing Rules) of Easyknit Enterprises as a result of the Placing.

Placing Shares

Up to 68,656,000 Placing Shares will be placed by the Placing Agent on a best effort basis. The Placing Shares represent (i) approximately 20.0% of the entire issued share capital of Easyknit Enterprises of 343,285,500 EE Shares as at the date of this announcement; and (ii) approximately 16.67% of the enlarged issued share capital of Easyknit Enterprises of 411,941,500 EE Shares after the Placing.

Ranking of Placing Shares

The Placing Shares will, upon issue, rank pari passu in all respects with the EE Shares which are in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.44 per Placing Share was agreed after arm's length negotiations between Easyknit Enterprises and the Placing Agent, with reference to, amongst other things, the recent trading price of the EE Shares on the Stock Exchange. The Placing Price represents:

- (i) a discount of approximately 7.37% to the closing price of HK\$0.475 per EE Share as quoted on the Stock Exchange on 28 January 2013, being the last trading day immediately prior to the entering into of the Placing Agreement; and
- (ii) a discount of approximately 2.65% to the average closing price of approximately HK0.452 per EE Share as quoted on the Stock Exchange for the last 5 trading days of the EE Shares immediately prior to the entering into of the Placing Agreement.

General Mandate

The Placing Shares will be issued pursuant to the general mandate to allot, issue and deal with up to 68,656,000 EE Shares, which was granted to the EE Directors by a resolution of the EE Shareholders passed at the special general meeting of Easyknit Enterprises on 22 January 2013.

As at the date of this announcement, no EE Share has been issued pursuant to the said general mandate.

Conditions Precedent

The Placing is conditional upon, amongst others:

1. the Listing Committee having granted listing of, and permission to deal in, the Shares to be issued under the Placing, and such listing and permission not having been subsequently revoked;
2. the Bermuda Monetary Authority having granted all, and not revoking any necessary approvals and permissions for the creation, allotment and issue of new Shares to be issued under the Placing;
3. there not having occurred any breach of, or any event rendering untrue or inaccurate, any of the representations, warranties or undertakings under the Placing Agreement, as given (i) on the date of the Placing Agreement; (ii) on the date of the completion of Placing; (iii) on all dates between the date of the Placing Agreement and the date of completion of placing; and (iv) on the date of the launch of the Placing;
4. trading of any securities of Easyknit Enterprises not being suspended on the Stock Exchange (other than for any trading halt pending publication of any announcement(s) in relation to the Placing, if any);

5. there not having occurred any event, or series of events beyond the reasonable control of the Placing Agent (including, without limitation, any outbreak or escalation of hostilities, declaration of a national emergency or war, act of terrorism, any significant event, development or change in financial markets, currency exchange rates or controls or calamity or crisis, any act of government, strike, labour dispute, lock-out, fire explosion, flooding, earthquake, tsunami, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease and act of God) that, in and which, singly or together with any other event specified above, makes inexpedient or inadvisable to proceed with the offer, sale or delivery of the Placing Shares on the terms and in the manner contemplated in the Placing Agreement;
6. there not having come into effect any new law or regulation and there being no change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing; or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;
7. there not having occurred any material adverse change or development (whether or not permanent) involving a prospective material adverse change in the condition, financial or otherwise, or in the earnings or business affairs or prospects of Easyknit Enterprises, whether or not arising out of the ordinary course of business; and
8. the accuracy and completeness of all representations that Easyknit Enterprises makes to the Placing Agent and all information that Easyknit Enterprises furnishes to the Placing Agent in connection with the Placing.

If the above conditions are not fulfilled to the satisfaction of the Placing Agent or waived by the Placing Agent (to the extent permissible) prior to the expiry of the placing period (i.e. from the date of the Placing Agreement to the date of completion of the Placing) or such later date as may be agreed between Easyknit Enterprises and the Placing Agent, the Placing Agreement and the obligations of the parties thereunder shall cease and terminate at that time and neither Easyknit Enterprises nor the Placing Agent shall be under any liability to the other under the Placing Agreement, save for the liability in respect of any antecedent breach of the Placing Agreement.

Completion

Completion shall take place as soon as possible following the satisfaction of the conditions set out above and in any event not later than 4 Business Days immediately following the satisfaction of the conditions (or such other date to be agreed by the parties) and at a time and place to be agreed between the Placing Agent and Easyknit Enterprises.

If the conditions precedent of the Placing are not fulfilled on or before the Long Stop Date, the Placing Agreement shall terminate and neither the Placing Agent nor the Company will have any claim against the other for costs, damages, compensation or otherwise except for any antecedent breach of the Placing Agreement.

Further announcement will be made by Easyknit Enterprises upon the completion of the Placing.

Termination / Force Majeure

The Placing Agent is entitled to terminate the Placing Agreement on the occurrence of certain events including a material breach of the representations, warranties and undertakings given by Easyknit Enterprises that is materially adverse to the success of the Placing, or a material adverse change in the financial or trading position of Easyknit Enterprises as a whole that is materially adverse to the success of the Placing or an event of force majeure.

As the Placing Agreement may or may not complete, EE Shareholders, EI Shareholders and potential investors are advised to exercise caution when dealing in the EE Shares and EI Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Assuming all the Placing Shares are successfully placed by the Placing Agent, the gross proceeds from the Placing will be HK\$30,208,640. The net proceeds, after deducting the placing commission and other related expenses, will be approximately HK\$29,800,000.

The EE Directors and EI Directors consider that the Placing will strengthen the financial position of the Group and Easyknit International. Both the EE Directors and EI Directors are of the view that the Placing is fair and reasonable and in the interests of both Easyknit Enterprises and Easyknit International; and the EE Shareholders and EI Shareholders as a whole.

The EE Directors confirmed that the net proceeds will be used for the possible acquisition of the Target Property, or should the acquisition fail to materialise, for acquisition of other properties at the time when Easyknit Enterprises has insufficient financial resources to fund such activities in a timely manner.

The Target Property

Easyknit Enterprises is the majority owner of a building located at No. 15 Matheson Street, Causeway Bay, Hong Kong, which exceeds 50 years of age. The building comprises 5 units on the first to fifth floors (ie. approximately 83.33% of the undivided shares of that building) and the Target Property on the ground floor. Easyknit Enterprises' purchases of the aforesaid 5 units were completed in June 2012. On 20 December 2012, the Company, has, pursuant to section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545), filed an application to the Lands Tribunal for an order to sell all the undivided shares in that building for the purposes or redevelopment. Lands Tribunal issued a notice of hearing for direction which was fixed on 21 February 2013. As at the date of this announcement, neither definitive agreements nor terms have been entered into with the owner of the Target Property. The EE Directors, having consulted its legal advisers, estimate that the grant of order of sale by courts and the public auction may require about nine months from the date of application. The timing will depend on, amongst others, the response time by the owner of the Target Property. The EE Directors however note that the negotiations with the owner of the Target Property are continuing simultaneously with the aforesaid application, and it is possible that an agreement may be reached before the courts grant an order for sale.

FUND RAISING ACTIVITIES OF EASYKNIT ENTERPRISES IN THE PAST 12 MONTHS

Set out below is the equity fund raising activities conducted by Easyknit Enterprises in the past 12 months prior to the date of this announcement:

| Date of announcement | Fund raising activities | Net proceeds raised (approximate) | Intended use of net proceeds | Actual use of net proceeds (approximate) |
|----------------------|-----------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 30 May 2012 | Placing of new shares under a 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) investment in listed securities of HK\$3.6 million |
| 18 July 2012 | Placing of new shares under a general mandate | HK\$12.0 million | (i) Fitting and renovation of properties; and (ii) General working capital of the Group | (i) fitting and renovation of properties of HK\$0.3 million; and (ii) general working capital of the Group of HK\$11.7 million |
| 15 August 2012 | Rights issue | HK\$28.4 million | (i) HK\$14.2 million for property investment; and (ii) HK\$14.2 million for general working capital | (i) general working capital of the Group of HK\$8.0 million; and (ii) the remaining to be applied as intended |
| 11 October 2012 | Rights issue | HK\$113.03 million | For property investment | To be applied as intended |

Save as the above, the Company had not conducted any fund raising activity in the past 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF EASYKNIT ENTERPRISES

For illustration purpose, the shareholding structure of Easykmit Enterprises immediately before and after the completion of the Placing is set out below:

| | As at the date of this announcement | | Immediately after completion of the Placing | |
|--------------------------------------------------------------------|----------------------------------------|----------------------|------------------------------------------------|----------------------|
| | No. of EE Shares | Approximate % | Number of EE Shares | Approximate % |
| Easykmit International and parties acting in concert with it | 179,302,800 | 52.23 | 179,302,800 | 43.52 |
| Placees | 0 | 0 | 68,656,000 | 16.67 |
| Public shareholders | <u>163,982,700</u> | <u>47.77</u> | <u>163,982,700</u> | <u>39.81</u> |
| Total | <u>343,285,500</u> | <u>100.00</u> | <u>411,941,500</u> | <u>100.00</u> |

The EE Board wishes to inform that notwithstanding the decrease in the shareholding of Easykmit International in Easykmit Enterprises from approximately 52.23% as at the date of this announcement to approximately 43.52% immediately after completion of the Placing, Easykmit International will continue to maintain management control over Easykmit Enterprises and hence, Easykmit Enterprises will continue to be treated as a subsidiary of Easykmit International, with its results continue to be consolidated into the consolidated financial statements of Easykmit International.

INFORMATION ON EASYKNIT INTERNATIONAL AND EASYKNIT ENTERPRISES

Easykmit International is principally engaged in the business of property investments and development, garment sourcing and exporting, investment in securities and loan financing.

Easykmit Enterprises is principally engaged in garment sourcing and exporting, property investments and investment in securities.

Financial Information on Easykmit Enterprises

Set out below is certain financial information extracted from the annual reports of Easykmit Enterprises for the years ended 31 March 2011 and 2012 and its interim report for the six months ended 30 September 2012:

| | For the six months ended 30 September 2012 | For the year ended 31 March | |
|------------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------|--------------------------------|
| | HK\$ '000 (Unaudited) | 2012 HK\$ '000 (Audited) | 2011 HK\$ '000 (Audited) |
| Revenue | 120,165 | 286,916 | 347,992 |
| (Loss) profit before taxation from continuing and discontinued operations | (27,011) | (40,670) | 69,999 |
| (Loss) profit after taxation from continuing and discontinued operations | (20,613) | (42,730) | 65,060 |
| Net asset value | 624,915 | 608,236 | 628,362 |

LISTING IMPLICATION TO EASYKNIT INTERNATIONAL

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For Easyknit International, the Placing is a deemed disposal of interests in Easyknit Enterprises as its shareholding will decline from approximately 52.23% currently to approximately 43.52% after the Placing. As certain of the applicable percentage ratios of the transaction under the Placing exceed 5% but are less than 25%, the Placing constitutes a discloseable transaction for Easyknit International under Rule 14.06(2) of the Listing Rules. The Placing Agreement and the transaction contemplated thereunder, including the Placing, are therefore subject to the requirements of reporting and announcement under the Listing Rules.

As completion of the Placing is subject to the fulfillment of a number of conditions precedent, the Placing Agreement may or may not complete. EE Shareholders, EI Shareholders and potential investors are advised to exercise caution when dealing in the EE Shares and EI Shares.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

| | |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Business Day” | any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong |
| “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 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 and a majority shareholder of Easyknit Enterprises |
| “EE Board” | the board EE Directors |
| “EE Directors” | the directors of Easyknit Enterprises |
| “EE Shareholders” | holders of EE Shares |
| “EE Shares” | share at HK\$0.01 each in the share capital of Easyknit Enterprises |

| | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “EI Board” | the Board of EI Directors |
| “EI Directors” | the directors of Easyknit International |
| “EI Shareholders” | holders of Easyknit International shares |
| “EI Shares” | share at HK\$0.10 each in the share capital of Easyknit International |
| “Group” | Easyknit Enterprises and its subsidiaries |
| “Independent Third Parties” | parties which are not connected persons of Easyknit Enterprises and are independent of Easyknit Enterprises and its connected person |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 26 April 2013 or such later date to be agreed between Easyknit Enterprises and the Placing Agent in writing |
| “Placee(s)” | independent professional, institutional or individual investors to be procured by the Placing Agent on a best effort basis |
| “Placing” | the placing of the Placing Shares pursuant to the Placing Agreement |
| “Placing Agent” | Kingston Securities Limited, a licensed corporation to carry out business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Placing Agreement” | the placing agreement dated 28 January 2013 entered into between Easyknit Enterprises and the Placing Agent in relation to the Placing; |
| “Placing Price” | HK\$0.44 per Placing Share |
| “Placing Share(s)” | a maximum of 68,656,000 new EE Shares to be placed by the Placing Agent pursuant to the Placing Agreement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Property” | Ground Floor of No. 15 Matheson Street, Causeway Bay, Hong Kong and is now occupied as a retail shop |
| “HK\$” | Hong Kong dollars |

By Order of EI Board
Easyknit International Holdings Limited
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

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

Hong Kong, 28 January 2013

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

As at the date hereof, the EE Board of Easyknit Enterprises 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.