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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: 0616)

PROPOSED ALTERATION OF TERM OF THE CONVERTIBLE NOTE AND PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE REVISED CONVERSION SHARES

On 27 November 2015, the Company and the Noteholder entered into the Deed of Amendment in respect of the Proposed Alteration. Pursuant to the Proposed Alteration, the Conversion Price shall be revised from HK\$1.81 per Conversion Share to HK\$0.33 per Conversion Share.

The Proposed Alteration is subject to the conditions as set out in the paragraph headed “Conditions precedent” below.

The SGM will be convened at which ordinary resolutions will be proposed to seek approval from the Shareholders of, among other things, the Proposed Alteration, proposed the grant of Specific Mandate and the transactions contemplated thereunder, including but not limited to the Revision Conversion Shares to be allotted and issued as a result of the Proposed Alteration under the Specific Mandate.

LISTING RULES IMPLICATIONS

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. An application has been made by the Company to the Stock Exchange.

A circular containing, among other matters, further information on the Proposed Alteration, the proposed grant of the Specific Mandate together with a notice convening the SGM to consider and, if thought fit, to approve the Proposed Alteration and the proposed grant of the Specific Mandate will be despatched to the Shareholders on or before 18 December 2015.

RELEVANT BACKGROUND

Reference is made to (i) the announcement of the Company dated 29 May 2015 in relation to the issue of the Convertible Note; and (ii) the announcement of the Company dated 14 October 2015 in relation to the adjustment of the conversion price of Convertible Note.

** for identification purposes only*

On 29 May 2015, the Company and the Noteholder entered into the Subscription Agreement in respect of the issue of the Convertible Note in the principal amount of HK\$86 million. The Convertible Note was issued to the Noteholder on 12 June 2015. The initial conversion price of the Conversion Shares was HK\$0.85 per Conversion Share, a total of 101,176,470 Conversion Shares will be issued, representing approximately 15.99% of the enlarged issued share capital of the Company. The Convertible Note carries an interest of 2% per annum and would fall due on 12 June 2017.

Following the completion of capital reorganisation and rights issue of the Company, the conversion price of Convertible Note was automatically adjusted from HK\$0.85 to HK\$1.81 on 14 October 2015, a total of 47,513,812 Conversion Shares will be issued, representing approximately 4.26% of the enlarged issued capital of the Company.

For the reasons as explained in “Reasons for the Proposed Alteration” below, the Company and the Noteholder agree to alter the terms of the Convertible Note subject to the terms and conditions of the Deed of Amendment.

DEED OF AMENDMENT AND PROPOSED ALTERATION

(1) Parties and Date

Date: 27 November 2015

Issuer: the Company

Subscriber: Madian Star Limited, as Noteholder

As at the date of this announcement, except the Convertible Note, the Noteholder does not have any interests in the Company.

(2) Principal terms of the Proposed Alteration

The Proposed Alteration was arrived at after arm’s length negotiations between the Company and the Noteholder in relation to the conversion price of the Convertible Note will be adjusted from HK\$1.81 per Conversion Share to HK\$0.33 per Conversion Share.

Apart from the Proposed Alteration, the terms and conditions of the Convertible Note remain intact and unchanged.

The Conversion Shares will rank pari passu in all respect with the Shares in issue as at the date of the allotment and issue of the Conversion Shares.

No application will be made for listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued under the Convertible Note as a result of the Proposed Alteration.

Upon the full conversion of the Convertible Note at the revised Conversion Price, ie. HK\$0.33 per Share, a total of 260,606,060 Revised Conversion Shares will be issued, representing 23.34% of the issued share capital of the Company as at the date of this announcement and approximately 17.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Revised Conversion Shares.

The revised Conversion Price of HK\$0.33 per Conversion Shares was arrived at after arm’s length negotiation between the Company and the Noteholder and represents:

- (i) a discount of approximately 16.46% over the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on 26 November 2015, being the last trading day immediately before the entering into the Deed of Amendment; and
- (ii) a discount of approximately 17.29% over the 5 trading days' average of the closing price per Share of HK\$0.399, being the last 5 trading days up to and including 26 November 2015, being the last trading day immediately before the entering into of the Deed of Amendment.

(3) Conditions precedent

Completion is conditional upon the fulfillment of the following conditions precedent:

- (a) the passing by the Shareholders at the SGM to be convened and held, of the necessary resolution to approve the Proposed Alteration, the Proposed Specific Mandate and the transactions contemplated thereunder;
- (b) all necessary consents and approvals required to be obtained on the part of the Company and the Noteholder in respect of the Proposed Alteration and the transactions contemplated thereunder having been obtained; and
- (c) without prejudice to condition (b) above, the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Revised Conversion Shares to be allotted and issued under the Convertible Note as a result of the Proposed Alteration.

If any of the above conditions are not fulfilled on or before 31 January 2015 or such later date as the Company and the Noteholder may agree, the Deed of Amendment will lapse and become null and void and the parties shall be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

REASONS FOR THE PROPOSED ALTERATION

The Group is principally engaged in the property investment, property development, garment sourcing and export businesses, investment in securities and loan financing.

In view of the average 30 days' trading prices of the Shares upon the completion of capital reorganisation and rights issue prior to the date of this announcement of HK\$0.48 per Share is substantially lower than the automatically adjusted conversion price of HK\$1.81 per Conversion Share. The new Conversion Price will provide incentive to the holder of the Convertible Note to exercise the conversion rights attaching to the Convertible Note, which could strengthen the capital base and financial position of the Company and provide the Company with greater flexibility in operating its business upon exercise of the conversion rights attached to the Convertible Note.

As such, the Board considers that Proposed Alteration is in the interests of the Company and the Shareholders as a whole.

SGM

The SGM will be convened for the purpose of considering and, if thought fit, approving the Proposed Alteration, proposed grant of Specific Mandate and the transactions contemplated thereunder.

To the best of the Directors' information, belief and knowledge, no parties have material interests in relation to the Proposed Alteration.

LISTING RULES IMPLICATIONS

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible has been made by the Company to the Stock Exchange.

A circular containing, among other matters, further information on the Proposed Alteration, the proposed grant of the Specific Mandate together with a notice convening the SGM to consider and, if thought fit, to approve the Proposed Alteration and the proposed grant of the Specific Mandate will be despatched to the Shareholders on or before 18 December 2015.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Easyknit Enterprises Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Conversion Price”	the initial conversion price of HK\$0.85 (subject to adjustment) per Conversion Share or the automatically adjusted conversion price of HK\$1.81 (subject to adjustment) per Conversion Share as a result of capital reorganisation and rights issue or the revised conversion price of HK\$0.33 (subject to adjustment) per Conversion Share as a result of Proposed Alteration, as the case may be
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Note
“Convertible Note”	the 2% coupon convertible note in principal amount of HK\$86 million issued by the Company to the Noteholder pursuant to the Subscription Agreement
“Deed of Amendment”	the deed of amendment dated 27 November 2015 and entered into between the Company and the Noteholder in relation to the Proposed Alteration
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party(ies) independent of the Company and connected persons of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	as defined in the Listing Rules
“Proposed Alteration”	the proposed alteration of Conversion Price of the Convertible Note as contemplated under the Deed of Amendment
“Refreshed General Mandate”	the general mandate was refreshed and granted by the independent Shareholders on 9 December 2014 authorising the Directors to allot, issue and deal in 101,279,806 Shares
“Revised Conversion Shares”	a total of 260,606,060 Conversion Shares to be allotted and issued upon the conversion of the Convertible Note at the revised Conversion Price as a result of the Proposed Alteration
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Proposed Alteration, the proposed grant of Specific Mandate and the transactions contemplated thereunder
“Specific Mandate”	the specific mandate proposed to be granted to the Directors to allot and issue the Revised Conversion Shares at the SGM
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 27 November 2015

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 and Mr. Lai Law Kau as non-executive directors; and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Foo Tak Ching as independent non-executive directors.