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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)

VERY SUBSTANTIAL ACQUISITION
- PROPERTIES ON CHATHAM ROAD NORTH, KOWLOON

After 4.00 pm on 16 May 2018, a wholly-owned subsidiary of the Company, as the buyer, entered into the Target Agreement with the Target Seller, pursuant to which amongst other things, the Buyer conditionally agreed to acquire, and the Target Seller agreed to sell, the entire issued share capital of the Target (the sole assets of which are the Properties Purchase Agreements, being contracts to purchase units in the Buildings at 470, 472, 474, 476 and 478 Chatham Road North, Kowloon) and a related shareholder loan at an aggregate consideration of HK\$154,712,615, subject to adjustment.

The sums remaining payable under the Properties Purchase Agreements at Properties Completion will be HK\$303,762,900 in aggregate and will become liabilities of the Group on Target Completion. The total consideration for the Group to acquire the Target, the Shareholders Loan and, after Completion, the Properties is HK\$458,475,515, subject to adjustment.

As one or more of the applicable percentage ratios applicable to the Acquisition exceeds 100% the Acquisition is a very substantial acquisition for the Company and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

The SGM will be convened and held to consider and, if thought fit, approve the Acquisition. A circular containing, among other things, (i) further details of the Acquisition; (ii) financial information on the Enlarged Group; and (iii) an independent property valuation report on the Properties, together with a notice convening the SGM is expected to be despatched to the Shareholders on or before 8 June, 2018.

INTRODUCTION

The Buildings were completed in the 1950s and are erected on a site with an aggregate registered site area of approximately 4,685 square feet.

After 4.00 pm on 16 May, 2018, the Buyer, a wholly-owned subsidiary of the Company, as buyer, entered into the Target Agreement with the Target Seller, pursuant to which amongst other things, the Buyer conditionally agreed to buy, and the Target Seller agreed to sell, the Sale Shares and the Shareholder Loan at the Consideration. The sole assets of the Target are the Properties Purchase Agreements which commit it to buying the Properties. The Target was incorporated on 3rd January 2018 and has no material liabilities apart from those under the Properties Purchase Agreements and has not carried on any business other than entering into the Properties Purchase Agreements. It has never had any net profits (before and after taxation).

THE TARGET AGREEMENT

Date : 16 May, 2018

Buyer : Eternal Ridge Limited

Target Seller : Ng Kwai Tung, an individual

Assets to be acquired

Pursuant to the Target Agreement, amongst other things, the Buyer has conditionally agreed to purchase the Sale Shares and the Shareholder Loan from the Target Seller. The Target has contracted to buy the Properties as described in the section headed “The Properties Purchase Agreements” below.

Conditions precedent

Completion of the Target Agreement is conditional upon the fulfilment of the following conditions on or prior to the Target Agreement Completion Date:

1. the Target Agreement and the transactions contemplated by it being approved by the shareholders of the Company and all necessary approvals being obtained in compliance with the Listing Rules;
2. no event having occurred which in the reasonable opinion of the Buyer could be construed as being capable of preventing completion of the Properties Purchase Agreements, or which could frustrate or make illegal or impossible the completion of the Properties Purchase Agreements or make any of them unenforceable;

3. a due diligence review being carried out on the Target by, and having been completed to the satisfaction of, the Buyer in its sole discretion;
4. title investigation on the Properties being carried out to the satisfaction of the Buyer; and
5. the Seller's solicitors shall provide at least seven (7) days before Target Completion a title report of the Properties;

and in the event these conditions or any one thereof is not fulfilled or waived, all sums paid by the Buyer to the Seller under the Target Agreement shall be repaid to the Buyer within 5 business days of the Buyer's request.

Consideration

The Consideration for the sale and purchase of Sale Shares and the consideration for the assignment of Shareholder's Loan is payable by the Buyer to the Target Seller as follows:-

- (a) HK\$41,191,100 on or before 18 May 2018 or another time as may be agreed by the Buyer and Target Seller;
- (b) HK\$82,475,655 on or before 25 May 2018 or another time as shall be agreed by the Buyer and Target Seller;
- (c) HK\$31,045,860 being the balance of the Consideration is payable by the Buyer to the Target Seller upon Target Completion or another time as agreed by the parties.

The Consideration will be adjusted accordingly at Completion in the event the stamp duty payable for Unit G/F and Cockloft of 470 Chatham Road North shall be calculated on non-residential basis.

The Consideration was determined after arm's length negotiations between the Buyer and the Target Seller; taking into account the potential for acquisition of the remaining units in the Buildings under the Ordinance, and the redevelopment of the Buildings.

The Group will fund the acquisition of the Sale Shares and Shareholder Loan from internal resources and/or bank facilities.

THE PROPERTIES PURCHASE AGREEMENTS

The sole material assets of the Target are the Properties Purchase Agreements pursuant to which the Target has agreed to buy the Properties, which constitute over 80% of the undivided shares in the Buildings. Its sole material liabilities are the sums remaining payable

to the Properties Vendors under the Properties Purchase Agreements. The sums remaining payable under the Properties Purchase Agreements at Properties Completion will be the then unpaid balance of the purchase price thereunder being HK\$303,762,900 in aggregate and will become liabilities of the Group on Target Completion. The total consideration for the Group to acquire the Target, the Shareholders Loan and, after Completion, the Properties is HK\$458,475,575, subject to adjustment.

Properties Completion is scheduled to take place on the Properties Completion Date. The Target Consideration payable under each of the Properties Purchase Agreements is payable in cash at Properties Completion and will be funded from internal resources of the Group and/or bank facilities.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group's principal businesses are in property investment, property development, securities investment and loan financing business.

The Group currently holds various commercial, industrial and residential properties in Hong Kong, and acquisition of the Properties will enhance its property asset base.

After Properties Completion the Target will have a right, pursuant to section 3(1) of the Ordinance, to file an application with the Lands Tribunal for an order to sell all the undivided shares of the Buildings (including the Properties) for the purposes of redevelopment. If it is so minded the Lands Tribunal will issue an order for sale by way of auction and the Target will be entitled to bid in that auction and if it is successful will acquire those units in the Buildings that it does not then own. If and when the Company decides that the Target will file such an application with the Lands Tribunal the Company will at the appropriate time comply in full with the Listing Rules.

The Directors are of the view that in view of the potential for redevelopment of the site on which the Buildings stand, the Total Consideration and the sums payable under the Properties Purchase Agreements are in the interests of the Group and that the Target Agreement and the Properties Purchase Agreements are on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ABOUT THE TARGET SELLER, THE PROPERTIES VENDORS AND THE BUYER

The Target Seller is an individual. The Properties Vendors are all individuals none of whom are known to the Company.

The Buyer is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Seller and each of the Properties Vendors is an Independent Third Party. Save for the Target Agreement, there are no arrangements between any member of the Group and the Target Seller or between any member of the Group and any of the Properties Vendors in relation to the Target Agreement or the Properties Purchase Agreements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the percentage ratios applicable to the Acquisition under Chapter 14 of the Listing Rules exceed 100% and therefore the Acquisition is a very substantial acquisition and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

GENERAL

The SGM will be convened and held to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Acquisition; (ii) financial information on the Enlarged Group; (iii) an independent property valuation report on the Buildings; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders on or before 8 June, 2018.

DEFINITIONS

In this announcement, unless the context otherwise requires, have:-

"Acquisition"	the proposed acquisition by the Buyer of the Sale Shares and the Shareholder Loan and, through Target, the Properties on and subject to the terms and conditions of the Target Agreement and the Properties Purchase Agreements
"Buildings"	<ol style="list-style-type: none"> 1. those 100% of the equal undivided shares in all those pieces or ground registered in the Land Registry as Section D of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 470 Chatham Road North, Kowloon Hong Kong 2. all those 83.33% of the equal undivided shares in all those pieces or ground registered in the Land Registry as Remaining Portion of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 472 Chatham Road North, Kowloon Hong Kong

	<p>3. all those 83.33% of the equal undivided shares in all those pieces or ground registered in the Land Registry as Sub-section 3 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 474 Chatham Road North, Kowloon Hong Kong</p> <p>4. all those 85.71% of the equal undivided shares in all those pieces or ground registered in the Land Registry as The Remaining Portion of Sub-section 1 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 476 Chatham Road North, Kowloon Hong Kong</p> <p>5. all those 82.14% of the equal undivided shares in all those pieces or ground registered in the Land Registry as The Remaining Portion of Sub-section 2 of Section A of Kowloon Inland Lot No. 1526 and in the messuages erections and buildings thereon known as No. 478 Chatham Road North, Kowloon Hong Kong</p>
“Buyer”	Eternal Ridge Limited a company incorporated with limited liability in the British Virgin Islands and wholly-owned subsidiary of the Company
“Company”	Easyknit International Holdings Limited (永義國際集團有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Consideration”	the total aggregate consideration for the purchase of the Sale Shares and the Shareholder’s Loan, being HK\$154,712,615, subject to adjustment
“Directors”	the directors of the Company
“Enlarged Group”	the Group immediately after completion of the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party”	a third party independent of the Company and of its connected persons (as “connected person” defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ordinance”	the Land (Compulsory Sale for Redevelopment) Ordinance
“Properties”	<p>No. 470 Chatham Road North, Kowloon</p> <ul style="list-style-type: none"> - G/F & Cockloft - 1/F - 2/F - 3/F <p>No. 472 Chatham Road North, Kowloon</p> <ul style="list-style-type: none"> - G/F - 1/F - 2/F - 3/F - 5/F <p>No. 474 Chatham Road North, Kowloon</p> <ul style="list-style-type: none"> - G/F - Portion A on 1/F - Portion B on 1/F - Portion C on 1/F - Portion D on 1/F - 3/F - 4/F - 5/F <p>No. 476 Chatham Road North, Kowloon</p> <ul style="list-style-type: none"> - G/F - 2/F - 3/F - 4/F - 5/F - 6/F <p>No. 478 Chatham Road North, Kowloon</p> <ul style="list-style-type: none"> - G/F - Front Portion of 1/F - Rear Portion of 1/F - Flat A of Front Portion on 2/F

	<ul style="list-style-type: none"> - Flat B of Front Portion on 2/F - Rear Portion of 2/F - Rear Portion of 3/F - Front Portion of 4/F - Rear Portion of 4/F - Front Portion of 5/F - Rear Portion of 5/F - Rear Portion of 6/F
“Properties Completion”	completion of the acquisition of the Properties under the Properties Purchase Agreements
“Properties Completion Date”	on or before 31 st July, 2018, 5:00 p.m.
“Properties Purchase Agreements”	contracts, each dated 30 th April 2018, each between the Target and one or more of the Properties Vendors and each in respect of the purchase by the Target of one of the Properties
“Properties Vendors”	the persons, all being individuals, who have entered into the Properties Purchase Agreements with the Target
“Sale Shares”	the entire issued share capital of the Target
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Acquisition
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder Loan”	an interest-free debt of HK\$123,666,747 at the date hereof owed by the Target to the Target Seller
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Success Active Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Agreement”	a conditional sale and purchase agreement dated 16 May, 2018 entered into between the Buyer and the Target Seller for the sale and purchase of the Sale Shares and the Shareholder Loan

“Target Agreement Completion Date”	27 th July, 2018 or such other date as the Target Seller and the Buyer may agree in writing
“Target Completion”	completion of the sale and purchase of the Sale Shares
“Target Seller”	Mr. Ng Kwai Tung, an individual, an Independent Third Party

By Order of the Board
Easyknit International Holdings Limited
Tse Wing Chiu Ricky
President and Chief Executive Officer

Hong Kong, 16 May 2018

As at the date hereof, the Board comprises Mr. Tse Wing Chiu Ricky, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.