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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)**

### **ANNOUNCEMENT**

Further to the Announcement, the Company provides the following additional information on the Land (Compulsory Sale for Redevelopment) Ordinance.

Reference is made to the Company's announcement dated 8 June 2006 (the "Announcement"). Terms used in this announcement have the same meanings as those defined in the Announcement unless stated otherwise.

#### **Land (Compulsory Sale for Redevelopment) Ordinance (the "Ordinance")**

It was stated in the Announcement that, the Directors noted that pursuant to the Ordinance, the owners of 90% or more of the undivided shares of a building may request for compulsory sale of the remaining shares in that building for redevelopment purpose. The Company wishes to explain the provisions of the Ordinance as follow.

To summarise, the Ordinance provides that the person or persons who own not less than 90% of the undivided shares in a lot (the "Majority Owner") may make an application, accompanied by a valuation report, to the Lands Tribunal for an order to sell all the undivided shares in the lot, for redevelopment purpose (the "Sale Order"). The Lands Tribunal will then hear the objections of the minority owners (if any) and if, among other things, it is satisfied that the redevelopment of the lot is justified and the Majority Owner has taken reasonable steps to acquire all the undivided shares in the lot including negotiating for the purchase of such of those shares as are owned by minority owners on terms that are fair and reasonable, may make an order for sale.

Under s. 4(1) of the Ordinance, if a Sale Order is made, the Lands Tribunal will appoint trustees nominated by the Majority Owner to discharge the duties imposed on trustees under the Ordinance in relation to the lot.

Under s. 5(1) of the Ordinance, where a Sale Order is granted under the Ordinance, the lot shall be sold by (a) public auction, or (b) by any other means agreed in writing by each minority owner and Majority Owner of the lot and approved by the Lands Tribunal. Section 5(5) of the Ordinance requires that if the lot is to be sold by auction, it shall be sold to the highest bidder at the auction. It stated expressly in s. 5(5)(b) of the Ordinance that nothing in the Ordinance shall operate to prevent the Majority Owner or the minority owner from being the purchaser of the lot.

Where the Majority Owner is the purchaser of the lot, under s. 6 of the Ordinance, it is not required to pay the full purchase price for the lot to the trustees, but to pay not less than the proportion of the amount that the trustees calculate is necessary for it to purchase all the undivided shares in the lot not already owned by it.

As described in the Announcement, Happy Light will become the Majority Owner of the Building upon completion of the Formal Agreements. The Directors are optimistic about the prospects of acquiring the whole Building should the completion of the Acquisition Agreement proceed.

On the other hand, if the Building is sold by public auction pursuant to the Ordinance, and Happy Light, being the Majority Owner, fails to bid for all the undivided shares successfully in the auction because it is not the highest bidder, the Group will still receive the sales proceeds for its undivided shares in the Building from that bidder. Such sale proceeds are very likely to be above the costs incurred by the Group for the acquisition of its undivided shares in the Building since the bid must be higher than that put forward by the Group.

As at the date of this announcement, the Board comprises Mr. Tse Wing Chiu, Ricky and Ms. Lui Yuk Chu as executive Directors and Mr. Wong Sui Wah, Michael, Mr. Tsui Chun Kong and Mr. Jong Koon Sang as independent non-executive Directors.

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

Hong Kong, 26 June 2006

\* *for identification only*