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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)**

**MAJOR AND DISCLOSEABLE TRANSACTION**

**IN RELATION TO THE PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
TRUMP ELEGANT INVESTMENT LIMITED  
(THE PROPOSED ACQUIRER OF THE PROPERTIES),  
LOAN TO TRUMP ELEGANT INVESTMENT LIMITED**

**AND**

**RESUMPTION OF TRADING**

**THE AGREEMENT**

On 24 June 2008, Easyknit Properties, a wholly owned subsidiary of the Company, as the buyer, entered into the Agreement with the Seller, pursuant to which amongst other things Easyknit Properties conditionally agreed to acquire, and the Seller agreed to sell the Sale Share for a total consideration of HK\$8.3 million. The Sale Share represents the entire issued share capital of Trump Elegant.

Under the Agreement, Easyknit Properties has also agreed to advance the Loan to Trump Elegant up to an aggregate amount not exceeding HK\$32 million. The Loan is personally guaranteed by the Seller.

**REASONS FOR AND BENEFITS OF THE ACQUISITION AND LOAN**

The Group's principal businesses are in garment sourcing and export, property investments and development, investment in securities and loan financing.

The Group currently holds various commercial, industrial and residential properties in Hong Kong. Trump Elegant is the purchaser under the Property Purchase Agreements. The acquisition of Trump Elegant will enable the Group to acquire the Properties, which represent 11 of the 12 units in the Building.

Trump Elegant is committed to paying various sums as deposits and/or balance of the purchase price under the Property Purchase Agreements. The Loan to Trump Elegant is to be used exclusively in and towards such payments, to avoid any default on the part of Trump Elegant under the Property Purchase Agreements.

The Properties represent over 90% of the undivided shares of the Building (as contemplated by section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance). The Group intends to acquire the Remaining Unit so as to be the owner of the whole Building, which it at present contemplates redeveloping if and when the Directors consider market sentiment to be appropriate.

The Acquisition will enable the Group to expand its property investment portfolio, and provide the Group with further potential income from property development.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction under Rule 14.06(3) of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. The Acquisition is conditional upon, among other things, the approval of the Shareholders of the Company at the SGM. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Acquisition.

The Loan constitutes financial assistance for the purposes of Chapter 14 of the Listing Rules. The applicable percentage ratios (as defined in the Listing Rules) of the amount constituting the Loan exceed 5% but are less than 25%, and hence the Loan constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules.

**As Completion is subject to the fulfilment and/or waiver of a number of conditions precedent in the Agreement, the Acquisition may or may not complete. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **GENERAL**

A circular containing amongst other things further particulars of the Acquisition, information regarding the Loan, and a notice convening the SGM will be despatched to Shareholders as soon as practicable.

Dealings in the Shares on the Stock Exchange were suspended at the request of the Company with effect from 2:30 p.m. on 25 June 2008. Application has been made by the Company for the resumption of dealings in the Shares with effect from 9:30 a.m. on 30 June 2008.

## **THE AGREEMENT**

### **Date**

24 June 2008

### **Parties**

- i) the Seller
- ii) Easyknit Properties, as the buyer

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, the Seller is an Independent Third Party. Prior to the Agreement, there were no arrangements between the Company and the Seller in relation to the Property Purchase Agreements.

### **Assets to be Acquired**

Pursuant to the Agreement, amongst other things, Easyknit Properties has conditionally agreed to acquire from the Seller the Sale Share, representing the entire issued share capital of Trump Elegant.

### **Loan**

Under the Agreement, Easyknit Properties has agreed to advance the Loan to Trump Elegant on the terms and subject to the conditions of the Agreement.

From time to time on the request of the Seller on behalf of Trump Elegant and against issue to it of a promissory note in the relevant amount, Easyknit Properties will advance to Trump Elegant the amount requested as part of the Loan, but if and to the extent only that the aggregate amount so advanced would not, as a result of such

advance, exceed HK\$32 million. The Loan is to be used exclusively in and towards payment of the deposits and/or balance of the purchase price in respect of the Property Purchase Agreements, which at the date of the Agreement is estimated to be approximately HK\$32 million.

The Loan is interest free, repayable on demand and personally guaranteed by the Seller.

### **Conditions Precedent**

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

- (a) entry into Property Purchase Agreements in respect of all the Properties;
- (b) the Agreement and the transactions contemplated therein being duly approved by the Shareholders the Company at the SGM in accordance with the Listing Rules;
- (c) none of the Property Vendors under any of the Property Purchase Agreements having served a notice to the effect or the effect of which is that the completion of any of the Property Purchase Agreements will not take place;
- (d) no event having occurred which in the reasonable opinion of Easyknit Properties could be construed as being capable of preventing completion of the Property Purchase Agreements, or which could frustrate or make illegal or impossible the completion of the Property Purchase Agreements or make any of them unenforceable; and
- (e) a due diligence review being carried out on Trump Elegant by, and having been completed to the satisfaction of, Easyknit Properties in its sole discretion.

The Seller is also required to prove good title of the Properties to Easyknit Properties.

### **Consideration**

The consideration for the Sale Share is HK\$8.3 million, which shall be paid by Easyknit Properties to the Seller in cash on Completion.

The consideration of HK\$8.3 million was determined after arm's length negotiations between the Easyknit Properties and the Seller after taking into consideration the fair value of the Sale Share and Trump Elegant, which is the purchaser in the Property Purchase Agreements, and the future development potential of the Properties.

## **Source of Funding**

The Group will fund the Acquisition from internal resources of the Group.

## **Option**

Pursuant to the Agreement, the Seller granted to Easyknit Properties the right to require the Seller to purchase from Easyknit Properties, all but not part only of the Sale Share if completion of any of the Property Purchase Agreements does not take place, at a consideration equivalent to the aggregate of (i) HK\$8.3 million and (ii) the total sum paid by Trump Elegant and/or Easyknit Properties and/or any of their respective associates under any of the Property Purchase Agreements after the Completion Date. The Option may be exercised by Easyknit Properties by notice in writing to the Seller any time on or before 31 October 2008.

## **Acquisition of the Properties by Trump Elegant**

On 22 May 2008, 23 May 2008, 24 May 2008, 4 June 2008, 13 June 2008 and 16 June 2008, Trump Elegant entered into 11 sale and purchase agreements with 9 different Property Vendors for the acquisition of a total of 11 units in the Building. The completion of all the Property Purchase Agreements is expected to be on or before 11 October 2008. The total consideration for the acquisition of the Properties under the Property Purchase Agreements is HK\$112.7 million.

Trump Elegant has paid a total of HK\$3.1 million as deposits under the Property Purchase Agreements (representing approximately 2.75% of the total consideration under all of the Property Purchase Agreements) to the Property Vendors. Upon completion of the Property Purchase Agreements on or before 11 October 2008, Trump Elegant will have to pay the balance of the consideration in the sum of HK\$109.6 million to the Property Vendors. If the Agreement completes on the Completion Date, Trump Elegant will then become a wholly-owned subsidiary of the Group. Hence, the Group will be responsible for paying the balance of the purchase price for the Properties to the Property Vendors upon completion of the Property Purchase Agreements, through Trump Elegant.

## **Source of funding**

The Group will fund the balance of the purchase price for the acquisition of the Properties from internal resources of the Group.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group's principal businesses are in garment sourcing and export, property investments and development, investment in securities and loan financing.

The Group currently holds various commercial, industrial and residential properties in Hong Kong. Trump Elegant is the purchaser under the Property Purchase Agreements. The acquisition of the entire issued share capital of Trump Elegant will enable the Group to acquire the Properties, which represent 11 of the 12 units in the Building.

Trump Elegant is committed to paying various sums as deposits and/or balance of the purchase price under the Property Purchase Agreements. The Loan to Trump Elegant is to be used exclusively in and towards such payments, to avoid any default on the part of Trump Elegant under the Property Purchase Agreements.

The Properties represent over 90% of the undivided shares of the Building (as contemplated by section 3(1) of the Land (Compulsory Sale for Redevelopment) Ordinance). The Group intends to acquire the Remaining Unit so as to be the owner of the whole Building, which it at present contemplates redeveloping if and when the Directors consider market sentiment to be appropriate.

Pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance the owners of 90% or more of the undivided shares of a building may make an application for the compulsory sale of the remaining shares in that building for re-development purposes. Hence the Directors are optimistic about the prospects of acquiring the whole Building should the completion of the Agreement proceed. The Company will comply with all applicable requirements under the Listing Rules if and when a sale and purchase agreement in respect of the Remaining Unit is entered into. The Company will issue a further announcement to inform the Shareholders when the purchase of the Remaining Unit is completed.

Based on the valuation by independent valuers, the current market value of the 100% interest of the Building on the basis of redevelopment with vacant possession is HK\$160 million as at 19 March 2008.

Four of the Properties are subject to tenancy agreements that by their terms may still be in force at the latest time for completion of the Property Purchase Agreements, but it is a term of the Agreement that vacant possession of those Properties will be delivered within 12 months of the date of the Agreement.

The Acquisition will enable the Group to expand its property investment portfolio, and provide the Group with further potential income from property development.

The Directors are of the view that the Acquisition is in the interests of the Group and is on normal commercial terms, which are fair and reasonable and in the interest of the Shareholders as a whole.

## **Information on Trump Elegant**

Trump Elegant was incorporated on 24 April 2008 and has never carried on any business save for entering into the Property Purchase Agreements. Accordingly, from the date of incorporation of Trump Elegant up until the date of the Agreement, there are no net profits attributable to Trump Elegant. The net asset value of Trump Elegant as at 24 June 2008 is HK\$1.00.

Its sole material assets are the 11 Property Purchase Agreements and the deposits paid and its rights under the Property Purchase Agreements. The liabilities of Trump Elegant consist of a debt (owed to the Seller) of approximately HK\$3.1 million and its liabilities under the Property Purchase Agreements.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction under Rule 14.06(3) of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Acquisition.

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## **GENERAL**

A circular containing amongst other things further particulars of the Acquisition, information regarding the Loan and a notice convening the SGM will be despatched to shareholders as soon as is practicable.

Dealings in the Shares on the Stock Exchange were suspended at the request of the Company with effect from 2:30 p.m on 25 June 2008. Application has been made by the Company for the resumption of dealings in the Shares with effect from 9:30 a.m. on 30 June 2008.

## DEFINITIONS

The following terms are used in this announcement with the meanings assigned to them below:-

“Acquisition”	the proposed acquisition of the Sale Share by Easyknit Properties subject to the terms and conditions of the Agreement
“Agreement”	an agreement dated 24 June 2008 entered into between Easyknit Properties and the Seller for the sale and purchase of the Sale Share
“associates”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Building”	the building situated on Section B of Kowloon Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong)
“Company”	Easyknit International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share and advance of the Loan
“Completion Date”	the date fixed for completion of the Agreement, which is expected to be on 1 September 2008, or such other date as the parties may agree in writing
“Consideration”	consideration of HK\$8.3 million to be paid for sale and purchase of the Sale Share
“Director(s)”	director(s) of the Company
“Easyknit Properties”	Easyknit Properties Holdings Limited, a company incorporated in British Virgin Islands and a wholly owned subsidiary of the Company
“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 connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan of an amount or amounts not exceeding HK\$32 million in aggregate to be advanced by Easyknit Properties to Trump Elegant
“Option”	the option granted by the Seller to Easyknit Properties to request the Seller to purchase the Sale Share from Easyknit Properties after the Completion, under certain circumstances as set out in this announcement
“Properties”	collectively Flats 1, 2 and 4 on the Ground Floor, Flats 1, 2, 3 and 4 on the First Floor, and Flats 1, 2, 3 and 4 on the Second Floor of the Building, which are subject to the Property Purchase Agreements
“Property Purchase Agreement(s)”	the 11 agreement(s) for sale and purchase entered into between Trump Elegant and each of the Property Vendor(s) in relation to the sale and purchase of the Properties
“Property Vendors”	the respective vendor(s) of each of the Property Purchase Agreement(s), each of which are Independent Third Parties
“Remaining Unit”	Flat 3 on the Ground Floor of the Building
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Agreement and the Acquisition
“Sale Share”	the one ordinary share of HK\$1.00 in the share capital of Trump Elegant, which has been issued and fully paid up and which represents the entire issued share capital of Trump Elegant at Completion
“Seller”	Ng Kwai Tung, an individual who is an Independent Third Party
“Shareholder(s)”	holder(s) of Shares

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trump Elegant”	Trump Elegant Investment Limited, a company incorporated under the laws of Hong Kong, which is wholly owned by the Seller
“%”	percentage or per centum

As at the date of this announcement, the Board comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive directors, Mr. Tse Wing Chiu, Ricky as the non-executive director 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**  
**Kwong Jimmy Cheung Tim**  
*President and Chief Executive Officer*

Hong Kong, 27 June 2008

\* *For identification only*