

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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**

**PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
KINGBEST CAPITAL HOLDINGS LIMITED  
(THE PROPOSED ACQUIRER OF THE PROPERTIES)**

**AND**

**RESUMPTION OF TRADING**

**THE AGREEMENT**

On 14 July 2009, 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\$2.44 million. The Sale Share represents the entire issued share capital of Kingbest. Under the Agreement, Easyknit Properties has also agreed to advance the Loan to Kingbest up to an aggregate amount not exceeding HK\$7.41 million. The Loan is personally guaranteed by the Seller.

## **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.

Kingbest is the purchaser under the Property Purchase Agreements. The acquisition of Kingbest will enable the Group to acquire the Properties, which represent all units or 100% of the undivided shares in the Building. Kingbest is committed to paying various sums as deposits under the Property Purchase Agreements. The Loan to Kingbest is to be used exclusively in and towards such payments, to avoid any default on the part of Kingbest under the Property Purchase Agreements.

## **IMPLICATIONS UNDER THE LISTING RULES**

The applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 25% but are less than 100%, and therefore the Acquisition itself constitutes a major transaction under Rule 14.06(3) of the Listing Rules. Easyknit Properties entered into an agreement with the Seller on 24 June 2008 in connection with the 2008 Transaction. The 2008 Transaction constituted a major transaction under the Listing Rules, and was duly approved by the Shareholders in a special general meeting held on 25 August 2008. Under Listing Rule 14.22, the Stock Exchange may require the aggregation of a series of transactions which are all completed within a 12 month period, or are otherwise related. The Board has aggregated the two transactions for the purposes of calculating the percentage ratios. As the applicable percentage ratios of the Acquisition when aggregated with the 2008 Transaction exceed 100%, the Acquisition when aggregated with the 2008 Transaction constitutes a very substantial acquisition under Rule 14.06(5) 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.

**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 Agreement and the transactions contemplated thereunder, including the Acquisition and the Option, 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 09:30 a.m. on 15 July 2009. Application has been made by the Company for the resumption of dealings in the Shares with effect from 09:30 a.m. on 20 July 2009.

## **THE AGREEMENT**

### **Date**

14 July 2009

### **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 Kingbest.

### **Loan**

Under the Agreement, Easyknit Properties has agreed to advance the Loan to Kingbest on the terms and subject to the conditions of the Agreement. From time to time on the request of the Seller on behalf of Kingbest and against issue to it of a promissory note in the relevant amount, Easyknit Properties will advance to Kingbest 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\$7.41 million.

The Loan is to be used exclusively in and towards payment of the deposits in respect of the Property Purchase Agreements, which at the date of the Agreement is estimated to be approximately HK\$7.41 million. The Loan is interest free, repayable on demand and personally guaranteed by the Seller.

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 are less than 5% and hence the Loan does not constitute a notifiable transaction under the Listing Rules.

### **Conditions Precedent**

Completion of the Agreement is conditional upon the fulfilment of the following conditions on or prior to 30 September 2009 (or such later date as may be agreed between Easyknit Properties and the Seller):

- (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 of 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;
- (e) a due diligence review being carried out on Kingbest by, and having been completed to the satisfaction of, Easyknit Properties in its sole discretion;
- (f) title investigation on the Properties being carried out to the satisfaction of Easyknit Properties; and
- (g) simultaneous completion of the sale and purchase of all the Properties.

### **Consideration**

The consideration for the Sale Share is HK\$2.44 million, which shall be paid by Easyknit Properties to the Seller in cash on Completion.

The consideration of HK\$2.44 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 Kingbest, 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 or if in the sole opinion of Easyknit Properties, the title to the Properties is defective, or vacant possession of the Properties is not obtained on the specified dates, at a consideration equivalent to the aggregate of (i) HK\$2.44 million and (ii) the total sum paid by Kingbest 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 2009.

### **Acquisition of the Properties by Kingbest**

During the period between 14 May 2009 and 6 July 2009, Kingbest entered into six sale and purchase agreements with six different Property Vendors for the acquisition of a total of six units in the Building. The completion of all the Property Purchase Agreements is expected to be on or before 20 October 2009. The total consideration for the acquisition of the Properties under the Property Purchase Agreements is HK\$63.85 million.

Kingbest has paid a total of HK\$1.2 million as deposits under the Property Purchase Agreements (representing approximately 1.88% of the total consideration under all of the Property Purchase Agreements) to the Property Vendors. Further deposits in the aggregate amount of HK\$7.41 million will be paid by Kingbest under the Property Purchase Agreements. Upon completion of the Property Purchase Agreements, Kingbest will have to pay the balance of the consideration in the sum of HK\$55.24 million to the Property Vendors. If the Agreement completes on the Completion Date, Kingbest 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 Kingbest.

## **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. Kingbest is the purchaser under the Property Purchase Agreements. The acquisition of the entire issued share capital of Kingbest will enable the Group to acquire the Properties, which represent all of the units in the Building.

Kingbest is committed to paying various sums as deposits under the Property Purchase Agreements. The Loan to Kingbest is to be used exclusively in and towards such payments, to avoid any default on the part of Kingbest under the Property Purchase Agreements.

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\$70 million as at 30 June 2009.

All except one of the Properties are to be sold under the Property Purchase Agreements with vacant possession and it is a term of the Agreement that vacant possession of those Properties will be delivered by various dates ranging from 14 December 2009 to 20 July 2010.

The Building is adjacent to the building situated on Section B of Kowloon Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) which the Group agreed to acquire from the Seller pursuant to an agreement of 24 June 2008. That building will be wholly-owned by the Group on completion of certain formalities relating to the grant of probate in respect of the estate of a deceased owner of part of the property and the directors intend that both will be redeveloped together.

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 Kingbest**

Kingbest was incorporated on 8 April 2009 and has never carried on any business save for entering into the Property Purchase Agreements. Accordingly, from the date of incorporation of Kingbest up until the date of the Agreement, there are no net profits attributable to Kingbest. The net asset value of Kingbest as at 10 July 2009 is US\$7.8.

Its sole material assets are the six Property Purchase Agreements and the deposits paid and its rights under the Property Purchase Agreements. The liabilities of Kingbest consist of a debt (owed to the Seller) of HK\$1.2 million and its liabilities under the Property Purchase Agreements.

## **IMPLICATIONS UNDER THE LISTING RULES**

The applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 25% but are less than 100%, and therefore the Acquisition itself constitutes a major transaction under Rule 14.06(3) of the Listing Rules. Easyknit Properties entered into an agreement with the Seller on 24 June 2008 in connection with the 2008 Transaction. The 2008 Transaction constituted a major transaction under the Listing Rules, and was duly approved by the Shareholders in a special general meeting held on 25 August 2008. Under Listing Rule 14.22, the Stock Exchange may require the aggregation of a series of transactions which are all completed within a 12 month period, or are otherwise related. The Board has aggregated the two transactions for the purposes of calculating the percentage ratios. As the applicable percentage ratios of the Acquisition when aggregated with the 2008 Transaction exceed 100%, the Acquisition when aggregated with the 2008 Transaction constitutes a very substantial acquisition under Rule 14.06(5) 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.

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 are less than 5% and hence the Loan does not constitute a notifiable transaction under the Listing Rules.

## **GENERAL**

A circular containing amongst other things further particulars of the Agreement and the transactions contemplated thereunder, including the Acquisition and the Option and a notice convening the SGM will be dispatched 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 09:30 a.m on 15 July 2009. Application has been made by the Company for the resumption of dealings in the Shares with effect from 09:30 a.m. on 20 July 2009.

## DEFINITIONS

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

“2008 Transaction”	the acquisition of the entire issued share capital of Trump Elegant Investment Limited from the Seller pursuant to a sale and purchase agreement dated 24 June 2008
“Acquisition”	the proposed acquisition of the Sale Share by Easyknit Properties subject to the terms and conditions of the Agreement
“Agreement”	an agreement dated 14 July 2009 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 sub-Section 1 of Section A of Kowloon Inland Lot No. 2928 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong)
“Company”	Easyknit International Holdings Limited, an exempted 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
“Completion Date”	the date fixed for completion of the Agreement, which is to be 6 October 2009, or such other date as the parties may agree in writing
“Consideration”	consideration of HK\$2.44 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
“Kingbest”	Kingbest Capital Holdings Limited, a company incorporated in British Virgin Islands, which is wholly owned by the Seller
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan of an amount or amounts not exceeding HK\$7.41 million in aggregate to be advanced by Easyknit Properties to Kingbest
“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”	the units located at the Front Portion (No. 311B Prince Edward Road West) & the Rear Portion (No. 311D Prince Edward Road West) of the Building, which are subject to the Property Purchase Agreements
“Property Purchase Agreement(s)”	the six agreement(s) for sale and purchase entered into between Kingbest and each of the Property Vendor(s) in relation to the sale and purchase of the Properties
“Property Vendors”	the respective vendor(s) under each of the Property Purchase Agreement(s), each of which are Independent Third Parties

“Sale Share”	the one ordinary share of US\$1.00 in the share capital of Kingbest, which has been issued and fully paid up and which represents the entire issued share capital of Kingbest at Completion
“Seller”	Ng Kwai Tung, an individual who is an Independent Third Party
“Shareholder(s)”	holder(s) of Shares
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Agreement and the Acquisition
“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

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. Tsui Chun Kong, and Mr. Jong Koon Sang and Mr. Hon Tam Chun 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, 17 July, 2009

*\* For identification only*