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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 AND
CONNECTED TRANSACTION
RELATING TO THE PROPOSED ACQUISITIONS OF
THE ENTIRE ISSUED SHARE CAPITAL OF
GROW WELL PROFITS LIMITED AND
SUPERTOP INVESTMENT LIMITED
AND
RESUMPTION OF TRADING**

On 14 October 2009, the Purchaser, a wholly-owned subsidiary of the Company, and Ms. Lui, a Director, entered into two separate conditional sale and purchase agreements in respect of the acquisitions of Grow Well and Supertop.

Pursuant to the Grow Well Agreement, the Purchaser conditionally agreed to acquire, and Ms. Lui agreed to sell, or procure the sale of, the Grow Well Sale Share, representing the entire issued share capital of Grow Well, and the Grow Well Sale Loans, for a consideration of HK\$123,120,000. Grow Well owns the Singapore Properties.

Pursuant to the Supertop Agreement, the Purchaser conditionally agreed to acquire, and Ms. Lui agreed to sell, or procure the sale of, the Supertop Sale Share, representing the entire issued share capital of Supertop for a consideration of HK\$104,350,000. Supertop, through its wholly-owned subsidiary, owns the Hong Kong Properties.

The Grow Well Agreement and the Supertop Agreement are independent of each other and are not inter-conditional.

IMPLICATIONS UNDER THE LISTING RULES

The Grow Well Acquisition and the Supertop Acquisition are aggregated for the purposes of calculating the percentage ratios under Rule 14.22 of the Listing Rules. As the applicable percentage ratios of the Acquisition exceed 100% and Ms. Lui, a Director, is a connected person of the Company, the Acquisition constitutes a very substantial acquisition and a connected transaction for the Company. The Acquisition is therefore subject to the reporting and announcement requirements and approval of the Independent Shareholders by way of poll at the SGM. Ms. Lui and her associates, being connected persons of the Company with a material interest in the Acquisition will abstain from voting at the SGM.

GENERAL

A circular containing amongst other things further particulars of the Acquisition and the transactions contemplated thereunder, together with a letter of recommendation from the Independent Board Committee and a letter of recommendation from the independent financial advisor to the Independent Board Committee and the Independent Shareholders, 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 October 2009. Application has been made by the Company for the resumption of dealings in the Shares with effect from 09:30 a.m. on 19 October 2009.

On 14 October 2009, the Purchaser, a wholly-owned subsidiary of the Company, and Ms. Lui, a Director, entered into two separate conditional sale and purchase agreements in respect of the acquisitions of Grow Well and Supertop. The Grow Well Agreement and the Supertop Agreement are independent of each other and are not inter-conditional.

GROW WELL AGREEMENT

Date

14 October 2009

Parties

- (i) Ms. Lui, as the vendor
- (ii) the Purchaser, as the purchaser

Assets to be Acquired

As at the date of this announcement, the Grow Well Sale Share is registered in the name of Accumulate More Profits Limited, which in turn is wholly-owned by Hang Seng Bank Trustee International Limited for the benefit of a discretionary trust the beneficiaries of which include Ms. Lui, a Director, and certain of her family members other than her spouse.

Pursuant to the Grow Well Agreement, the Purchaser has, amongst other things, conditionally agreed to acquire, and Ms. Lui agreed to sell, or procure the sale of, the Grow Well Sale Share, representing the entire issued share capital of Grow Well, and the Grow Well Sale Loans.

Conditions Precedent

Completion of the Grow Well Agreement is conditional upon the fulfilment of the following conditions on or prior to 31 December 2009 (or such later date as may be agreed between the Purchaser and Ms. Lui):

- (a) the passing by the requisite majority of the Independent Shareholders in general meeting of all resolutions required under the Listing Rules (if any) to approve the transactions contemplated under the Grow Well Agreement;
- (b) Ms. Lui having obtained confirmation letters from the Grow Well Mortgagee Banks showing the redemption amounts payable to the relevant Grow Well Mortgagee Banks as at Grow Well Completion for the discharge and release in full of the Grow Well Mortgages; and
- (c) all consents, approvals or waivers of rights of the shareholders of Grow Well (if required), any relevant governmental authorities, regulatory bodies, financial institutions or other relevant third parties in Hong Kong or elsewhere which are required for the entry into and the implementation of the Grow Well Agreement having been obtained, all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required for the entering into and the implementation of the Grow Well Agreement having been made.

If any of the conditions precedent have not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing) or (except for condition (a), which cannot be waived) waived by the Purchaser in writing, then the Grow Well Agreement shall thereupon terminate and Ms. Lui shall within three business days thereafter refund the Grow Well Deposit to the Purchaser together with interest at the

Prime Rate from and including the date of the Grow Well Agreement to and excluding the date of refund and none of the parties to the Grow Well Agreement shall have any further claims against each other for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims.

Consideration

The total consideration for the Grow Well Sale Share and the Grow Well Sale Loans is HK\$123,120,000, which is payable by the Purchaser to Ms. Lui in cash in the following manner:-

- (a) as to HK\$49,248,000 as Grow Well Deposit (which has already been paid);
- (b) as to an amount equivalent to the redemption amount for the discharge and release to the Grow Well Mortgagee Banks of the Grow Well Mortgages, the Purchaser shall, as directed by Ms. Lui, deliver cheque(s) drawn in favour of the Grow Well Mortgagee Banks at Grow Well Completion, provided that the aggregate amount so payable shall not exceed HK\$73,872,000; and
- (c) as to the balance, to Ms. Lui at Grow Well Completion.

The Singapore Properties have been valued at SG\$22,500,000 (or approximately HK\$123,120,000) as at 9 October 2009 by an independent valuer. The total consideration of HK\$123,120,000 was determined after arm's length negotiations between the Purchaser and Ms. Lui after taking into consideration the valuation report of the Singapore Properties.

Source of Funding

The Group will fund the Grow Well Acquisition from internal resources.

SUPERTOP AGREEMENT

Date

14 October 2009

Parties

- (i) Ms. Lui, as the vendor
- (ii) the Purchaser, as the purchaser

Assets to be Acquired

Pursuant to the Supertop Agreement, the Purchaser has, amongst other things, conditionally agreed to acquire, and Ms. Lui agreed to sell, or procure the sale of, the Supertop Sale Share, representing the entire issued share capital of Supertop.

Conditions Precedent

Completion of the Supertop Agreement is conditional upon the fulfilment of the following conditions on or prior to 31 December 2009 (or such later date as may be agreed between the Purchaser and Ms. Lui):

- (a) the passing by the requisite majority of the Independent Shareholders in general meeting of all resolutions required under the Listing Rules (if any) to approve the transactions contemplated under the Supertop Agreement;
- (b) Ms. Lui having obtained confirmation letters from the Supertop Mortgagee Banks showing the redemption amounts payable to the relevant Supertop Mortgagee Banks as at Supertop Completion for the discharge and release in full of the Supertop Mortgages; and
- (c) all consents, approvals or waivers of rights of the shareholders of Supertop (if required), any relevant governmental authorities, regulatory bodies, financial institutions or other relevant third parties in Hong Kong or elsewhere which are required for the entry into and the implementation of the Supertop Agreement having been obtained, all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required for the entering into and the implementation of the Supertop Agreement having been made.

If any of the conditions precedent have not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing) or (except for condition (a), which cannot be waived) waived by the Purchaser in writing, then the Supertop Agreement shall thereupon terminate and Ms. Lui shall within three business days thereafter refund the Supertop Deposit to the Purchaser together with interest at the Prime Rate from and including the date of the Supertop Agreement to and excluding the date of refund and none of the parties to the Supertop Agreement shall have any further claims against each other for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims.

Consideration

The consideration for the Supertop Sale Share is HK\$104,350,000, which is payable by the Purchaser to Ms. Lui in cash in the following manner:-

- (a) as to HK\$41,740,000 as Supertop Deposit (which has already been paid);
- (b) as to an amount equivalent to the redemption amount for the discharge and release to the Supertop Mortgagee Banks of the Supertop Mortgages, the Purchaser shall, as directed by Ms. Lui, deliver cheque(s) drawn in favour of the Supertop Mortgagee Banks at Supertop Completion, provided that the aggregate amount so payable shall not exceed HK\$62,610,000; and
- (c) as to the balance, to Ms. Lui at Supertop Completion.

The Hong Kong Properties have been valued at HK\$104,350,000 as at 12 October 2009 by an independent valuer. The consideration of HK\$104,350,000 was determined after arm's length negotiations between the Purchaser and Ms. Lui after taking into consideration the valuation report of the Hong Kong Properties.

Source of Funding

The Group will fund the Supertop Acquisition from internal resources.

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.

The Acquisition will enable the Group to increase its property portfolio and grow its property business.

The Directors (including the independent non-executive Directors whose views are subject to review, and will be included in the shareholders circular to be issued by the Company as mentioned in this announcement, after receipt of the advice from the independent financial adviser) are of the view that the terms of the Grow Well Agreement and the Supertop Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON GROW WELL

Grow Well is solely engaged in holding three properties in Singapore (the “Singapore Properties”) as set out below:-

- (1) 15 Ardmore Park (Block 3) #18-02 Ardmore Park, Singapore 259959;
- (2) 15 Ardmore Park (Block 3), #04-03 Ardmore Park, Singapore 259959; and
- (3) 15 Ardmore Park (Block 3), #06-04 Ardmore Park, Singapore 259959.

Grow Well has also informed the Company that it has entered into a tenancy agreement as a landlord for each of the Singapore Properties.

Set out below is financial information of Grow Well based on its unaudited financial statements for the years ended 31 December 2007 and 31 December 2008 and for the nine months period ended 30 September 2009:

	For the year ended 31 December 2007 <i>Unaudited</i> (HK\$)	For the year ended 31 December 2008 <i>Unaudited</i> (HK\$)	For the nine months period ended 30 September 2009 <i>Unaudited</i> (HK\$)
Profit before taxation and extraordinary items	1,404,807	1,352,830	60,776,579
Profit after taxation and extraordinary items	1,404,807	1,352,830	60,776,579

The unaudited net asset value of Grow Well as at 30 September 2009 was approximately HK\$12,779,000.

As informed by Ms. Lui, the original purchase costs of the Singapore Properties were in aggregate approximately SG\$16.27 million (or approximately HK\$89.02 million).

INFORMATION ON SUPERTOP

Supertop is solely engaged in investment holding and through its wholly-owned subsidiary, owns seven properties in Hong Kong (the “Hong Kong Properties”) as set out below:-

- (1) House 9 (including Garden, Carport, Flat Roof & Roof), Villa Castell, No.20 Yau King Lane, Tai Po, New Territories (45/3,050th parts or shares of and in Tai Po Town Lot No.96);
- (2) Workshop Space B on 1st Floor, Fung Wah Factorial Building, Nos.646, 648 & 648A Castle Peak Road, Kowloon (2/60th parts or shares of and in The Remaining Portion of Section A of New Kowloon Inland Lot No.2213, Section D of New Kowloon Inland Lot No.2213, The Remaining Portion of New Kowloon Inland Lot No.2213 and Section E of New Kowloon Inland Lot No.2213);
- (3) Units 1 and 2 on 7th Floor of Block D, Shatin Heights, No.8003 Tai Po Road, Shatin, New Territories (46/2,950th parts or shares of and in Lot No.1510 in D.D. 189);
- (4) Roof, No.20 Wing Hong Street, Kowloon (1/25th part or share of and in Section B of New Kowloon Inland Lot No.2213);
- (5) 5th Floor, No.20 Wing Hong Street, Kowloon (4/25th parts or shares of and in Section B of New Kowloon Inland Lot No.2213);
- (6) 3rd Floor, 161 Wong Nai Chung Road, Hong Kong (1/11th part or share of and in Inland Lot No.4384); and
- (7) House No.11 and the Garden appurtenant thereto and Car Parking Spaces Nos.11A & 11B on Basement Floor, Las Pinadas, No.33 Shouson Hill Road, Hong Kong (464/10,534th parts or shares of and in Rural Building Lot No.1093).

Supertop has also informed the Company that its subsidiary has entered into a tenancy agreement as a landlord for some of the Hong Kong Properties.

Set out below is financial information of the Supertop Group based on its unaudited consolidated financial statements for the years ended 31 March 2008 and 31 March 2009 and for the six months period ended 30 September 2009:

	For the year ended 31 March 2008	For the year ended 31 March 2009	For the six months period ended 30 September 2009
	<i>Unaudited (HK\$)</i>	<i>Unaudited (HK\$)</i>	<i>Unaudited (HK\$)</i>
Profit (loss) before taxation and extraordinary items	(1,171,232)	8,991,764	16,847,901
Profit (loss) after taxation and extraordinary items	(1,171,232)	8,991,764	16,847,901

The unaudited consolidated net asset value of the Supertop Group as at 30 September 2009 was approximately HK\$45,346,000.

As informed by Ms. Lui, the original purchase costs of the Hong Kong Properties were in aggregate approximately HK\$61.34 million.

IMPLICATIONS UNDER THE LISTING RULES

The Grow Well Acquisition and the Supertop Acquisition are aggregated for the purposes of calculating the percentage ratios under Rule 14.22 of the Listing Rules. As the applicable percentage ratios of the Acquisition exceed 100% and Ms. Lui, a Director, is a connected person of the Company, the Acquisition constitutes a very substantial acquisition and a connected transaction for the Company. The Acquisition is therefore subject to the reporting and announcement requirements and approval of the Independent Shareholders by way of poll at the SGM. Ms. Lui and her associates, being the connected persons of the Company with a material interest in the Acquisition will abstain from voting at the SGM.

An Independent Board Committee comprising all independent non-executive Directors has been constituted to advise the Independent Shareholders as to whether the terms of the Grow Well Agreement and the Supertop Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. An independent financial advisor will be appointed by the Company to advise the Independent Board Committee as to whether the terms of the Grow Well Agreement and the Supertop Agreement are fair and reasonable and whether the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

GENERAL

A circular containing amongst other things further particulars of the Acquisition and the transactions contemplated thereunder, together with a letter of recommendation from the Independent Board Committee and a letter of recommendation from the independent financial advisor to the Independent Board Committee and the Independent Shareholders, 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 October 2009. Application has been made by the Company for the resumption of dealings in the Shares with effect from 09:30 a.m. on 19 October 2009.

DEFINITIONS

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

“Acquisition”	the Grow Well Acquisition and the Supertop Acquisition
“associates”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Grow Well”	Grow Well Profits Limited, a company incorporated in the British Virgin Islands, which is indirectly wholly-owned by Hang Seng Bank Trustee International Limited as trustee of a discretionary trust known as The Magical 2000 Trust (the beneficiaries of which include Ms. Lui and her family members other than her spouse)
“Grow Well Acquisition”	the proposed acquisition of the Grow Well Sale Share and the Grow Well Sale Loans by the Purchaser subject to the terms and conditions of the Grow Well Agreement

“Grow Well Agreement”	an agreement dated 14 October 2009 entered into between the Purchaser and Ms. Lui for the sale and purchase of the Grow Well Sale Share and the Grow Well Sale Loans
“Grow Well Completion”	the completion of the Grow Well Acquisition as contemplated in the Grow Well Agreement
“Grow Well Deposit”	HK\$49,248,000 paid by way of deposit under the Grow Well Agreement
“Grow Well Mortgagee Banks”	the banks to which the Singapore Properties have been mortgaged
“Grow Well Mortgages”	the mortgages and rent assignment in respect of the Singapore Properties as at the date of the Grow Well Completion
“Grow Well Sale Share”	the one ordinary share of US\$1.00 in the share capital of Grow Well, which has been issued and fully paid up and which represents the entire issued share capital of Grow Well
“Grow Well Sale Loans”	the two interest free shareholder’s loans in the amounts of US\$8,162,200 and HK\$22,668,004.56 as at 30 September 2009 by Grow Well to Accumulate More Profits Limited and Hang Seng Bank Trustee International Limited
“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
“Hong Kong Properties”	the meaning ascribed thereto in the section headed “Information on Supertop” in this announcement
“Independent Board Committee”	the board committee comprising of the independent non-executive Directors constituted to make recommendations to the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than Ms. Lui or her associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Lui”	Ms. Lui Yuk Chu, a Director
“Prime Rate”	the prime lending rate for Hong Kong Dollars as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time
“Purchaser”	Easyknit Properties Holdings Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Acquisition
“SG\$”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Singapore Properties”	the meaning ascribed thereto in the section headed “Information on Grow Well” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supertop”	Supertop Investment Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Ms. Lui
“Supertop Group”	Supertop and its wholly-owned subsidiary, Goldchamp International Limited
“Supertop Acquisition”	the proposed acquisition of the Supertop Sale Share by the Purchaser subject to the terms and conditions of the Supertop Agreement
“Supertop Agreement”	an agreement dated 14 October 2009 entered into between the Purchaser and Ms. Lui for the sale and purchase of the Supertop Sale Share
“Supertop Completion”	the completion of the Supertop Acquisition as contemplated in the Supertop Agreement

“Supertop Deposit”	HK\$41,740,000 paid by way of deposit under the Supertop Agreement
“Supertop Mortgagee Banks”	the banks to which the Hong Kong Properties have been mortgaged
“Supertop Mortgages”	the mortgages and rent assignment in respect of the Hong Kong Properties as at the date of the Supertop Completion
“Supertop Sale Share”	the one ordinary share of US\$1.00 in the share capital of Supertop, which has been issued and fully paid up and which represents the entire issued share capital of Supertop
“US\$”	United States dollars, the lawful currency of the United States of America

This announcement contains translations of HK\$ into SG\$ at the rate of HK\$5.472 to SG\$1.00. The translation shall not be taken as representation that any amounts in HK\$ or SG\$ could be converted at such rate or at any other rate.

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

Hong Kong, 16 October 2009

As at the date hereof, the Board comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive directors, Mr. Tse Wing Chiu, Ricky as non-executive director and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.

** For identification only*