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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 TRANSACTION**

**PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
CHIEF ACCESS LIMITED  
(THE PROPOSED ACQUIRER OF THE PROPERTIES)**

**THE AGREEMENT**

On 24 February 2010, 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\$5,650,000. The Sale Share represents the entire issued share capital of Chief Access.

Pursuant to the Agreement, the Seller granted to Easyknit Properties the Option, being the right to require the Seller to purchase from Easyknit Properties the Sale Share if completion of any of the Property Purchase Agreements or Formal SPAs does not take place for whatever reason, or if in the sole opinion of Easyknit Properties or its legal advisers, the title to the Properties is defective, or vacant possession of the Properties is not obtained on the dates specified in the Agreement. The Option may be exercised by Easyknit Properties by notice in writing to the Seller any time on or before 10 July 2010.

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

The Group's principal businesses are in property investments and development, investment in securities and loan financing. The Group currently holds various commercial, industrial and residential properties in Hong Kong.

Chief Access is the purchaser under the Property Purchase Agreements and the Formal SPAs. The acquisition of Chief Access will enable the Group to acquire the Properties, which represent all units or 100% of the undivided shares in the Building.

## **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 constitutes a major transaction under Rule 14.06(3) of the Listing Rules. The Agreement and the transactions contemplated thereunder including the Acquisition and the Option, are therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. The Acquisition is conditional upon, amongst other things, the approval of the Shareholders of the Company at the SGM (other than those who are required by the Listing Rules to abstain from voting). As, to the best knowledge of the Directors, no Shareholder has any material interest in the Agreement, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Agreement.

**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.

## **THE AGREEMENT**

### **Date**

24 February 2010

### **Parties**

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

To the best of the Directors' knowledge, information and belief, 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 Chief Access.

### **Conditions Precedent**

Completion of the Agreement is conditional upon the fulfilment (or in respect of conditions (a) and (e) below, waived in writing by the Buyer) of the following conditions on or prior to 12 April 2010 (or such later date as may be agreed between Easyknit Properties and the Seller):

- (a) entry into Property Purchase Agreements and Formal SPAs in respect of all the Properties;
- (b) the Agreement and the transactions contemplated therein being duly approved by the Shareholders (other than those who are required by the Listing Rules to abstain from voting) at the SGM of the Company in accordance with the Listing Rules;
- (c) none of the Property Vendors under any of the Property Purchase Agreements and the Formal SPAs having served a notice to the effect or the effect of which is that the completion of any of the Property Purchase Agreements and/or the Formal SPAs 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 and/or the Formal SPAs, or which could frustrate or make illegal or impossible the completion of the Property Purchase Agreements and/or the Formal SPAs or make any of them unenforceable;
- (e) a due diligence review being carried out on Chief Access by, and having been completed to the satisfaction of, Easyknit Properties in its sole discretion; and
- (f) title investigation on the Properties being carried out to the satisfaction of Easyknit Properties if Easyknit Properties exercises its rights under the Agreement, such right to be exercised at Easyknit Properties' absolute discretion.

Completion of the Agreement is expected to take place on or around 19 April 2010.

### **Consideration**

The consideration for the Sale Share is HK\$5,650,000, which will be paid by Easyknit Properties in cash on Completion. At Completion, Easyknit Properties will deliver the Consideration to the solicitors for the Seller to be held by them as stakeholders in an interest-bearing account until seven days after the completion of all (and not part only) of the Property Purchase Agreements and the Formal SPAs and upon written consent of Easyknit Properties to its release. If completion of all (and not part only) of the Property Purchase Agreements and Formal SPAs does not occur on or before 10 June 2010, the Seller shall procure that the solicitors for the Seller immediately refunds to Easyknit Properties the Consideration together with all interest earned while held by the solicitors for the Seller.

At or around the same time as the Consideration is released to the Seller, Easyknit Properties shall procure Chief Access to repay the Shareholder's Loan in full and final discharge of the Company's obligation to pay the Seller any outstanding sums. The outstanding amount of the Shareholder's Loan shall not exceed HK\$9,535,000.

The consideration of HK\$5,650,000 was determined after arm's length negotiations between Easyknit Properties and the Seller after taking into consideration the fair value of the Sale Share and Chief Access, which is the purchaser in the Property Purchase Agreements and the Formal SPAs, 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 Option, being the right to require the Seller to purchase from Easyknit Properties the Sale Share if completion of any of the Property Purchase Agreements or Formal SPAs does not take place for whatever reason or if, in the sole opinion of Easyknit Properties or its legal advisers, the title to the Properties is defective, or vacant possession of the Properties is not obtained on the dates specified in the Agreement, at a consideration equivalent to the aggregate of (i) HK\$5,650,000; (ii) the sum paid by Chief Access to the Seller in full and final discharge of the Shareholder's Loan; and (iii) the total sum paid by Chief Access and/or Easyknit Properties and/or any of their respective associates under any of the Property Purchase Agreements and/or Formal SPAs after the Completion Date. The Option may be exercised by Easyknit Properties by notice in writing to the Seller any time on or before 10 July 2010.

## **Acquisition of the Properties by Chief Access**

Chief Access has entered into the Property 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 and/or the Formal SPAs is expected to be on or before 10 June 2010. The total consideration for the acquisition of the Properties under the Property Purchase Agreements and/or the Formal SPAs (if signed) is HK\$95,350,000.

The Company was informed that Chief Access has paid a total of HK\$9,535,000 as deposits under the Property Purchase Agreements and the Formal SPAs (representing approximately 10% of the total consideration under all of the Property Purchase Agreements) to the Property Vendors. Upon completion of the Property Purchase Agreements and/or the Formal SPAs, Chief Access will have to pay the balance of the consideration in the aggregate sum of HK\$85,815,000 to the Property Vendors. If the Agreement completes on the Completion Date, Chief Access 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 Chief Access.

## **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 property investments and development, investment in securities and loan financing.

The Group currently holds various commercial, industrial and residential properties in Hong Kong. Chief Access is the purchaser under the Property Purchase Agreements and Formal SPAs. The acquisition of the entire issued share capital of Chief Access will enable the Group to acquire the Properties, which represent all of the units or 100% of the undivided shares in the Building.

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\$101,000,000 as at 31 January 2010.

Two 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 the other four Properties will be delivered by various dates ranging from 15 July 2010 to 10 October 2010.

The Building is adjacent to the buildings situated on Section B of Kowloon Inland Lot No. 1685 (Nos. 313, 313A, 313B & 313C Prince Edward Road West, Kowloon, Hong Kong) and on sub-Section 1 of Section A of Kowloon Inland Lot No. 2978 (Nos. 311B & 311D Prince Edward Road West, Kowloon, Hong Kong) which the Group acquired from the Seller (through acquisition of two companies) pursuant to two agreements dated 24 June 2008 and 14 July 2009 respectively.

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 Agreement and the transactions contemplated thereunder, including the Acquisition and the Option, is in the interests of the Group and the Shareholders as a whole, and is on normal commercial terms which are fair and reasonable.

### **Information on Chief Access**

Chief Access was incorporated on 1 October 2009 and has never carried on any business save for entering into the Property Purchase Agreements. Accordingly, from the date of incorporation of Chief Access up until the date of the Agreement, there are no net profits attributable to Chief Access. The net asset value of Chief Access as at 24 February 2010 is HK\$7.8.

Its sole material assets are the Property Purchase Agreements and the Formal SPAs and the deposits paid and its rights under the Property Purchase Agreements and the Formal SPAs. The liabilities of Chief Access consist of a debt (owed to the Seller) of HK\$9,535,000 and its liabilities under the Property Purchase Agreements and the Formal SPAs.

## **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 constitutes a major transaction under Rule 14.06(3) of the Listing Rules. The Agreement and the transactions contemplated thereunder including the Acquisition and the Option, are therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. The Acquisition is conditional upon, amongst other things, the approval of the Shareholders of the Company at the SGM (other than those who are required by the Listing Rules to abstain from voting). As, to the best knowledge of the Directors, no Shareholder has any material interest in the Agreement, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Agreement.

## **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.

## **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 February 2010 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 the remaining portion of Section A of Kowloon Inland Lot No. 2978 (Nos. 311A & 311C Prince Edward Road West, Kowloon, Hong Kong)
“Chief Access”	Chief Access Limited, a company incorporated in British Virgin Islands, which is wholly owned by the Seller
“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 Acquisition
“Completion Date”	the date fixed for Completion, which is to be 19 April 2010, or such other date as the parties may agree in writing
“Consideration”	consideration of HK\$5,650,000 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
“Formal SPAs”	the formal agreement(s) for sale and purchase entered and/or to be entered into between the Chief Access and each of the Property Vendor(s) in respect of each of the Properties
“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 who, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, is 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



“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 the Agreement
“Properties”	the units located at the Front Portion of No. 311A Prince Edward Road West and the Rear Portion of No. 311C Prince Edward Road West, Kowloon, Hong Kong of the Building, which are subject to the Property Purchase Agreements and/or the Formal SPAs
“Property Purchase Agreement(s)”	the six provisional agreement(s) for sale and purchase entered into between Chief Access and each of the Property Vendor(s) in relation to the sale and purchase of the Properties
“Property Vendor(s)”	the respective vendor(s) under each of the Property Purchase Agreement(s) and/or the Formal SPA(s), each of which are Independent Third Parties
“Sale Share”	the one ordinary share of US\$1.00 each in the share capital of Chief Access, which has been issued and fully paid up and which represents the entire issued share capital of Chief Access at Completion
“Seller”	Ng Kwai Tung, an individual who is an Independent Third Party
“Shareholder(s)”	holder(s) of Shares
“Shareholder’s Loan”	all sums owed by Chief Access to the Seller under an unsecured non-interest bearing loan whether or not then due for payment as shown in the unaudited balance sheet of Chief Access as at the Completion Date
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Agreement and the transactions contemplated thereunder, including but not limited to the Acquisition and the Option
“Share(s)”	ordinary share(s) of HK\$0.10 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 non-executive director and Mr. Tsui Chun Kong, 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, 24 February, 2010

*\* For identification only*